

TV Ratings: How reliable? How important?

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BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

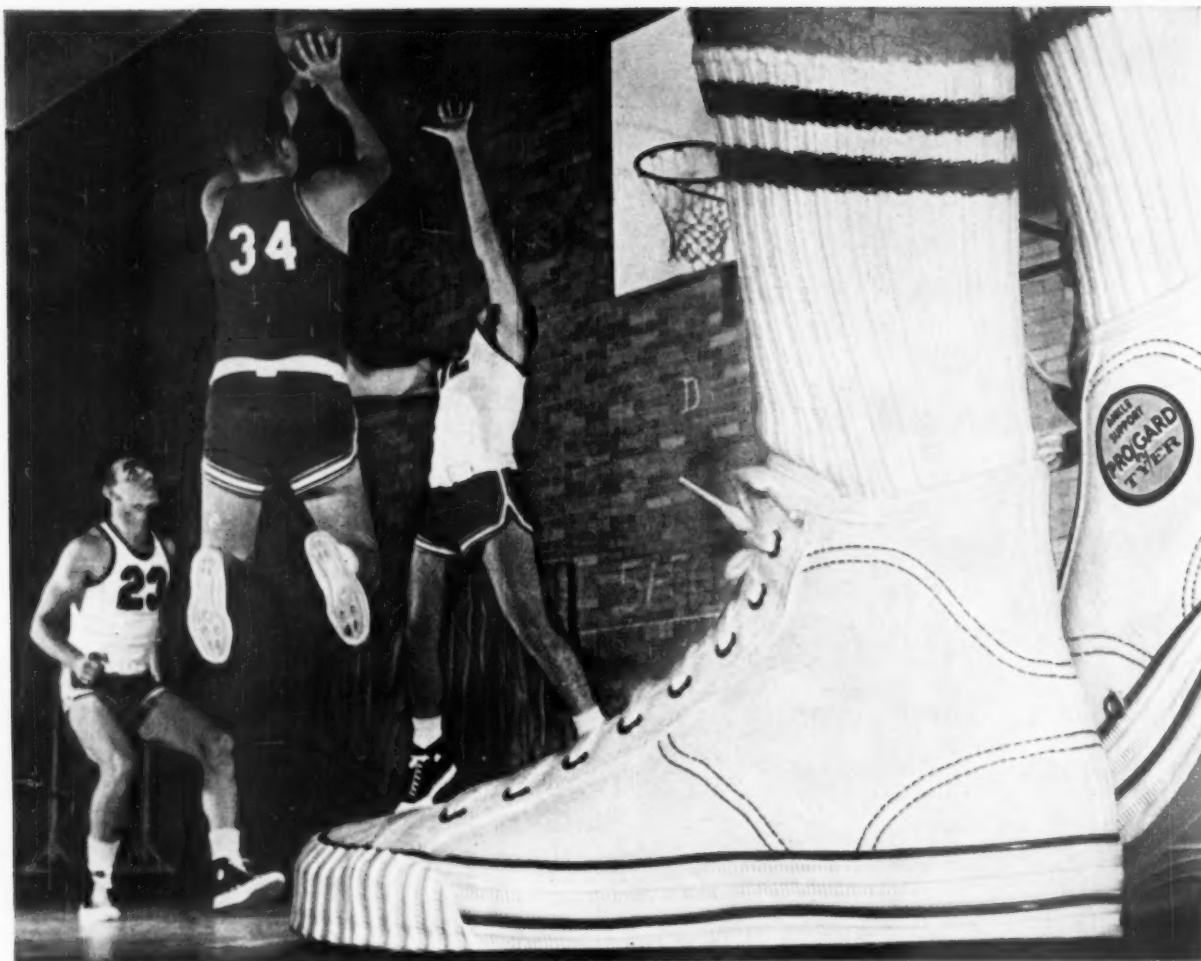
FIFTY CENTS

DEC. 12, 1959



Caterpillar's Henry Howard
throws new engines from a
new plant into the scramble
for growing diesel markets
(New Products)

STEVENS RICE
UNIVERSITY MICROFILMS
313 N 1ST ST
ANN ARBOR MICH
C 8-
S 7



Footwear manufactured by Tyer Rubber Company, Andover, Mass.

How to get the jump on competition

You can't miss with a quality product that's got an exclusive feature of wide appeal. For example, consider the basketball shoes above. They offer everything you'd expect—sure-footed traction, light weight, good resilience, attractive appearance, easy washability—*plus* an "exclusive" that's caught on fast.

This sales-sparking "extra" is a combination ankle support and protective guard that's built right into the shoe. To produce this unique feature, a versatile sponge rubber compound was needed. Chosen: **PLIOFLEX**—for its unrivaled uniformity and good blowing characteristics.

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of its light color and remarkable retention of calendered designs. In the sole, **PLIOFLEX** provides outstanding nonslip qualities and exceptional flexibility. It also assures better adhesion of rubber to canvas. Throughout the shoe, **PLIOFLEX** means long wear. And—happily for the manufacturer—**PLIOFLEX** usually means a substantial reduction in costs.

If you're looking for a compound that can put your product on a better competitive footing, it will pay you to look into **PLIOFLEX**—now used in more products than any other synthetic rubber. For complete information, write Goodyear, Chemical Division, Dept. L-9415, Akron 16, Ohio.



GOOD YEAR

CHEMICAL DIVISION

Plioflex—T. M. The Goodyear Tire & Rubber Company, Akron, Ohio

in BUSINESS this WEEK December 12, 1959

GENERAL BUSINESS

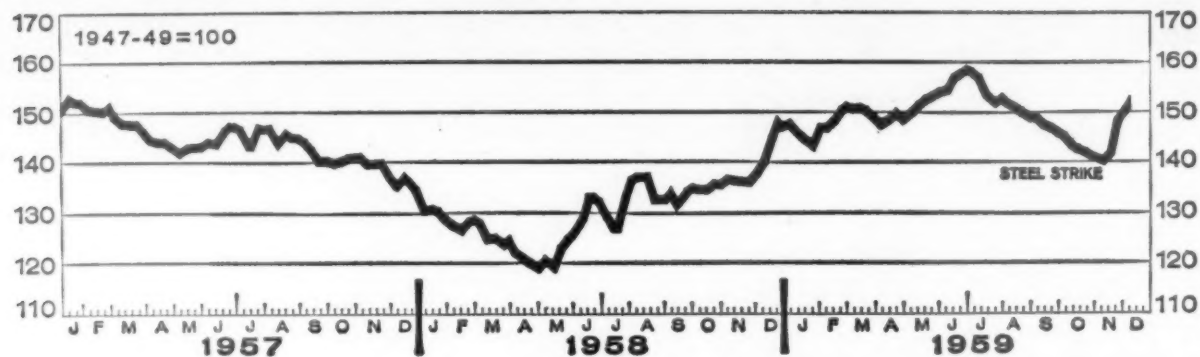
	Page
BUSINESS OUTLOOK	19
WASHINGTON OUTLOOK	41
INTERNATIONAL OUTLOOK	115
PERSONAL BUSINESS	137
THE TREND	156
FIGURES OF THE WEEK	2
READERS REPORT	5

YULE SALES HEAD FOR A RECORD. Early shopping rush has convinced most retailers of that.....	25
SPENDING PLANS DEPRESSED BY STEEL WORRY. SEC-Commerce capital spending survey shows cautious mood.....	26
HEAT'S ON TV, INSIDE AND OUT. Federal agencies crack down on payola and misleading commercials. Networks also clean house.....	28
TV'S SPLURGE ON EISENHOWER TRIP. How networks handle the coverage	29
DRUG PROFITS. Sen. Kefauver's next target in his "administered pricing" attack	32
WHEN INDUSTRY DIVES FOR SHELTER.	32
DEMOCRATS PLUMP FOR SPENDING. Advisory Council, foreshadowing campaign, calls for expanded programs but no tax rise.....	33
MORE CARS THAN EVER BEFORE. A look at auto sales in 1960.....	34
FIRST STATE to lend money for private housing is Pennsylvania.....	36
IN BUSINESS. Ford winning sales race, new GM director, Peace River hydro project, court bars plant shutdowns during strikes, Ludwig buys Florida swamp..	38

THE DEPARTMENTS

BUSINESS ABROAD:	Nehru Sidles Toward the West forced by pressure from Red China.....	73
	In Business Abroad. South African gold certificates, Chile's new currency unit, haggle between Brazil and Russia.....	81
CANADA:	Five New Gas Outlets to U. S. Canada's new National Energy Board plans hearings on applications to export gas across the border.....	110
FINANCE:	U. S. Plans No Installment Curbs, though consumer credit soars despite tight money.	58
	The Finance Pattern. Data for a Much-Needed Monetary Debate.....	65
	In Finance. Charges against former head of H. L. Green, interest rates, dividends..	71
GOVERNMENT:	Capital Gains Get the Treatment. Tax pros urge Congress to change the rules...	83
LABOR:	Offensive Against Hoffa Mounts, and his luck seems to be running out.....	125
	Automation Gains on Docks. ILA and employers work out agreement.....	128
	New Tack Urged in Steel Talks. Mitchell wants issues turned over to outside experts	130
	In Labor. AFL-CIO fund for Steelworkers, retirement problems, Hoffa's order to Teamsters, new Labor Dept. official, textile union's appeal for raises.....	132
MANAGEMENT:	In Management. Job prospects for graduates, promotions and management courses, new president of Esso Standard.....	89
MARKETING:	His TV Rating Service Is Under Fire From Congress and Rivals. How A. C. Nielsen's company and its competitors fit into the TV picture.....	46
THE MARKETS:	Funds Wed Their Smaller Cousins. Personal holding and private investment companies offer an easy way to raise new capital.....	119
	In the Markets. Near-record spurt in stock prices, bond and money yields, curb on savings brokers.....	123
NEW PRODUCTS:	Now It's Compact Diesel Engines. In this field, trend to compactness is opening new markets to companies such as Caterpillar.....	140
	More Room in the Family Ice Box. Hotpoint's thin-wall refrigerator occupies same space, holds 50% more.....	144
PRODUCTION:	In Production. Checker's passenger cars, Whitehouse Plastics' balance sheet.....	150
	Safety First on New Supertanker. Sun's new 50,000-tonner is put to test.....	153
REGIONS:	Can Suburbs Control the Tide? How suburbs try to hold growth back by zoning..	91
	Small Town Spaces Its Growth.	94
	In Regions. Commuter railroads, Seaway traffic, veterans' bonus, Negro housing, Buffalo appraisal, Houston's "Rockefeller Center".....	100
RESEARCH:	The Research Pattern. What Darwin Means to the Space Age.....	103
	In Research. Hydrogen rocket engine, chemical treatment for cancer, tax plea on R&D expenses.....	109

FIGURES of the WEEK



BUSINESS WEEK INDEX (chart)

1953-55 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
133.3	140.6	141.1	150.9r	152.9*

PRODUCTION

Steel ingot (thous. of tons).....	2,032	1,985	1,266	2,650r	2,671
Automobiles	125,553	147,361	63,451	46,740r	54,369
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$57,657	\$55,466	\$69,114	\$62,563
Electric power (millions of kilowatt-hours).....	10,819	13,017	13,019	13,173	13,907
Crude oil and condensate (daily av., thous. of bbl.).....	6,536	7,067	6,899	6,969	7,026
Bituminous coal (daily av., thous. of tons).....	1,455	1,508	1,323	1,571r	1,610
Paperboard (tons).....	247,488	277,282	319,477	310,853	295,929

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	70	61	58	59	59
Carloadings: all others (daily av., thous. of cars).....	47	41	40	46	46
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	171	145	182	176
Business failures (Dun & Bradstreet, number).....	198	294	265	268	261

PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	90.0	94.9	93.9	93.8
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	82.7	74.7	72.8	72.8
Print cloth (spot and nearby, yd.).....	19.8¢	18.2¢	21.2¢	22.4¢	22.74
Finished steel, index (BLS, 1947-49 = 100).....	143.9	186.9	186.8	186.8	186.8
Scrap steel composite (Iron Age, ton).....	\$36.10	\$39.83	\$46.17	\$43.50	\$42.50
Copper (electrolytic, delivered price, E & MJ, lb.).....	32.394¢	28.950¢	34.738¢	33.744¢	33.745¢
Aluminum, primary pig (U. S. del., E&MJ, lb.).....	20.6¢	24.7¢	24.7¢	24.7¢	24.7¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.).....	‡	21.76¢	23.77¢	23.92¢	23.76¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$2.02	\$2.05	\$2.07	\$2.06
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	34.46¢	31.59¢	31.67¢	31.69¢
Wool tops (Boston, lb.).....	\$1.96	\$1.62	\$1.85	\$1.85	\$1.88

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	52.76	57.48	58.32	58.97
Medium grade corporate bond yield (Baa issues, Moody's).....	3.59%	4.84%	5.26%	5.25%	5.24%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2½%	3¼%	4% %	4% %	4% %

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	‡	61,520	60,615	61,260r	61,017
Total loans and investments, reporting member banks.....	‡	102,901	103,879	102,841r	104,253
Commercial, industrial, and agricultural loans, reporting member banks....	‡	31,755	30,624	30,820r	30,928
U. S. gov't guaranteed obligations held, reporting member banks.....	‡	34,891	28,056	27,232	28,164
Total federal reserve credit outstanding.....	26,424	27,844	28,443	28,857	28,867

MONTHLY FIGURES OF THE WEEK

McGraw-Hill Indexes of New Orders (1950 = 100)					
Consumer credit outstanding (in billions).....	October.....	\$34.2	\$43.7	\$49.4	\$49.9
Installment credit outstanding (in billions).....	October.....	\$25.2	\$33.2	\$38.0	\$38.4
Manufacturer's inventories (seasonally adjusted, in billions).....	October.....	\$45.2	\$49.3	\$51.9	\$51.4
Exports (in millions).....	October.....	\$1,290	\$1,599	\$1,479	\$1,476

* Preliminary, week ended December 5, 1959.
r Revised.

‡ Not available.

§ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover Shea; 25—Berd Brandt; 29—(top lt.) Joan Sydlow, (top rt.) Giovanni Martini, (bot. lt.) Ron Appelbe, (bot. rt.) Grant Compton; 30—(top) Giovanni Martini, (bot. lt.) Ron Appelbe, (bot. rt.) Grant Compton; 31—(top lt. & rt.) Ron Appelbe, (cen. lt. & rt.) Grant Compton, (bot.) NBC; 34—Esso Manhattan; 46—(lt.) Herb Kratochvil, (rt.) Fred Hammond; 47—Fred Hammond; 73—Central Press from Pictorial Parade; 83—(rt.) UPI; 91, 94, 95—Herb Kratochvil; 103—Bettmann Archive; 109—Pratt & Whitney Aircraft; 140-141—Mike Shea; 144—(lt.) Hotpoint, (rt.) Archie Lieberman; 148—Texas Instruments; 153—Joe Nettis




"I'm not making
any money
sitting here!"

NOBODY makes any money when a salesman waits in reception rooms. That's why making appointments by Long Distance is such a good idea. You have more time for selling.

"Because our salesman in Texas telephoned ahead for appointments, he saw 16 more customers on just one trip than on the same trip last year," reports John Price, co-owner of Pacific Purchasing Depot, El Monte, Calif.

No doubt about it, Long Distance can be one of your best sales tools.



LONG DISTANCE RATES ARE LOW

Here are some examples:

Buffalo to Cleveland	75¢
St. Louis to Chicago	90¢
Boston to Norfolk, Va.	\$1.20
Milwaukee to Philadelphia	\$1.45
San Francisco to Detroit	\$2.10

These are day rates, Station-to-Station, for the first three minutes. Add the 10% federal excise tax.

BELL TELEPHONE SYSTEM

Long Distance pays off! Use it now...for all it's worth!



ARMCO WEARS MANY HATS

New steels are
born at
Armco

With two steel-making divisions and four major subsidiaries, the people of Armco must wear many hats.

For example:

Armco Division produces millions of tons of steel sheets and strip a year. But the products that most distinguish Armco Division are its special steels. Some are designed for deep-drawing or porcelain enameling. Others are unique stainless steels and electrical steels or grades with special protective coatings. Each has unusual properties, but all have one thing in common. They perform better in fabrication or service than ordinary steels.

Sheffield Division supplies a wide range of steel products used by manufacturers, fabricators of structural and reinforcing bars, farmers and the oil industry. It also serves America with products such as bolts, nuts, forgings, grinding media, wire, alloys and other special-purpose steels.

The National Supply Company is the world's largest manufacturer and distributor of oil field machinery and equipment. This Armco subsidiary serves the oil industry through a network of company-owned supply stores in every major oil field in the United States, Canada and Venezuela.



The Armco International Corporation is responsible for Armco interests throughout the world, operates 16 fabricating plants and conducts business through numerous offices and warehouses in 26 countries.

Union Wire Rope Corporation makes high carbon wire, wire rope, braided wire fabric and stress-relieved wire and strand for pre-stressed concrete. The company's growing plant at Kansas City, Missouri, is equipped to make approximately 90,000 types of wire rope.

Armco Drainage & Metal Products, Inc., the world's foremost manufacturer of drainage and related construction products, has pioneered every major advance in the corrugated metal pipe industry. Armco Drainage is also among the leaders in the production of factory-engineered steel buildings, welded steel pipe, highway guard rail and other fabricated metal products.

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And there you have the story of how the steels and skills of 43,000 Armco men and women serve America and the free world. Armco Steel Corporation, General Offices, Middletown, Ohio.



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READERS REPORT

Not on Sunday

Dear Sir:

As an instructor in accounting, I would like to reply to Reader H. T. Nissley's letter [BW—Nov. 28 '59, p5]. He offers the following challenge, "You may beat us on Saturday at football, but watch out the other six days." In spite of all the higher mathematics Case Institute offers, he seems to have made an arithmetic mistake.

It is my understanding of American business that Sunday is a rather uncompetitive day. It is a day of rest, reflection and for many a day in which God finds a special place through prayer or worship. If Case students are Jewish or Seventh Day Adventist, then I stand corrected. For then they might be in a competitive position on Sunday as their day of prayer and worship is Saturday. Otherwise since Reader Nissley has conceded Saturday, his challenge should read, "Watch out the other five days."

Here at Marquette University College of Business Administration in addition to a generous helping of Liberal Arts subjects, we require for Catholic students a number of courses in theology. I think the words of Christ are still true today. "What does it profit a man if he gains the whole world and suffers the loss of his soul?"

REV. FRANCIS G. ZIEGLER S. J.

MARQUETTE UNIVERSITY

MILWAUKEE, WIS.

Bank Share Prices

Dear Sir:

There are several other reasons why Bank Shares Keep Rising in addition to those mentioned in the article [BW—Nov. 28'59, p151].

Pressure from the supervisory authorities to maintain adequate capital ratios and liquidity ratios results in the retention of a substantial portion of the earnings. In numerous banks that we are familiar with, cash dividends represent less than one-third of the actual earnings, and the retained portion, after taxes, represents almost one-half of the earnings.

Proper balance in the total investment holdings, particularly in tax free municipal bonds, is an important factor in minimizing the tax bill. Bad debt reserves also make an important contribution, both in minimizing the taxes and improving the book values.

Stated book values today are

CARING FOR WAXED FLOORS IS...



*A cinch
with Sanax*

It waxes as it cleans!

REDUCES THE FREQUENCY OF REFINISHING

Sanax was developed to permit frequent cleaning of waxed floors *without washing away the finish* . . . and to eliminate waste in wax and labor. A neutral liquid soap with a wax base, *Sanax* not only quickly removes dirt, oil, and grease, but *leaves a thin film of wax*. In fact, regular use of *Sanax* to machine-scrub or damp-mop waxed floors *actually prolongs the life of the finish*, and thereby reduces refinishing costs on a year-to-year basis. Like all *Finnell Fast-Acting Cleansers*, *Sanax* is designed for the greater speed of machine-scrubbing, and works as effectively in a *Combination Scrubber-Vac* as in a *Conventional Scrubber-Polisher*. And because *Sanax* is processed from pure vegetable oils, it's *safe for all floors*.

Find out how you can simplify and reduce the cost of caring for waxed floors. There's a *Finnell Floor Specialist* nearby to help you choose the waxes and cleansers that are *exactly right for your needs*. *Finnell* manufactures a complete line, so you can depend on unbiased advice. In fact, *Finnell makes everything for floor care!*



A 100 Series
General-Purpose
Finnell
11, 13, 15, 18"



- A mild liquid wax-soap for machine-scrubbing or damp-mopping waxed floors
- Leaves a lustrous anti-skid protective finish
- Highly concentrated . . . economical to use

For consultation, demonstration, or literature, phone or write nearest *Finnell Branch* or *Finnell System, Inc.*, 3812 East Street, Elkhart, Indiana. Branch Offices in all principal cities of the United States and Canada.

FINNELL SYSTEM, INC.

*Originators of
Power Scrubbing and Polishing Machines*



BRANCHES
IN ALL
PRINCIPAL
CITIES

often much less than actual book value, due in some part to the bad debt reserves and also to the practice of taking a greater book write-off on fixed assets than is permitted for tax purposes.

In merger situations, we have often found that replacement values of fixed assets are always greatly in excess of the book or carrying value.

W. ELMER ETHER

ACCOUNTANT AND AUDITOR
RUMSON, N. J.

Fuel Price

Dear Sir:

. . . In your issue on gas supplies for the Chicago area [BW—Oct. 31'59,p76] the comparison table of fuel costs supplied by Northern Illinois Gas Co. for its marketing area outside of Chicago is not correct.

Oil heat for a building of the size quoted as using \$126 of gas would cost \$151 or \$157 in the Chicago area, depending upon the user's tank size, and not the \$189 given in your table.

In the city of Chicago, which Peoples Gas, Light & Coke Co. supplies, there is no cost advantage for gas, as it is at a parity with oil when all taxes are considered. . .

EDMUND R. RENIER

PRESIDENT
GREAT NORTHERN OIL CO.
CHICAGO, ILL.

Statements Clarified

Dear Sir:

Best BUSINESS WEEK's report of my testimony on taxes and economic growth before the House Ways and Means Committee [BW—Nov.21'59,p163] be misinterpreted, let me note that:

(1) I am opposed, not to giving growth a major role in formulating federal fiscal policy, but to riddling the income tax structure with special concessions in the name of growth, concessions which may well promote the wrong kind of growth and reduce total output.

(2) I favor stimulating growth by cutting income tax rates at the same time that we eliminate existing tax preferences which, as I stated, "pull resources away from the optimal uses to which they would be channeled by the free workings of the market mechanism. . . ."

WALTER W. HELLER

CHAIRMAN, DEPT. OF ECONOMICS
SCHOOL OF BUSINESS ADMINISTRATION
UNIVERSITY OF MINNESOTA
MINNEAPOLIS, MINN.



Under the Earth's Crust—What?

While public interest continues to focus on the exploration of outer space, scientists are preparing to breach another "last frontier": the mysterious interior of the earth.

Drilling the immensely deep hole necessary for adequate subsurface exploration will tax technological resources to their limit. One of the biggest problems will be handling the tremendous weight of drill pipe necessary for the job.

Recent advances in the design of oil well drilling equipment suggest a possible answer. A new Gardner-Denver drawworks, for example, has been en-

gineered especially for drilling at today's and tomorrow's greater depths. This huge machine can lift loads of hundreds of thousands of pounds while the driller keeps these loads under perfect control.

Part of the petroleum picture since 1905, Gardner-Denver has constantly expanded its services to oil companies. Constantly abreast of industry needs, Gardner-Denver now manufactures equipment for practically all phases of the petroleum industry: exploration, drilling, production, distribution and maintenance. Gardner-Denver Company, Quincy, Illinois.



New Gardner-Denver drawworks—built for smooth, trouble-free handling of pipe at great depths.



EQUIPMENT TODAY FOR THE CHALLENGE OF TOMORROW

GARDNER - DENVER



Industry's chemicals:

WHAT'S MAKING NEWS?

You'd have a hard time convincing Mr. Average Consumer that chemistry has a heavy hand in practically every product he buys. That's because, more often than not, chemicals play a *hidden* role. Mr. Consumer prefers one product over a competing one because it "tastes better" or "lasts longer." Usually, it's a seven-syllable word in fine print on the label that spells the big difference. That's the case with some of the Dow chemicals discussed below. They mean many things to many producers, but are seldom obvious to the consumer.

You may wish to check certain items in this advertisement and forward to those concerned in your company.

ROUTE TO:

Off-beat chemical has hand in 1,001 product successes

A new granular form of Methocel® (Dow methylcellulose), the paradoxical chemical, makes it even more useful.

Ask almost any processing chemist if he uses Methocel in his formulations. The reply might well be "Doesn't everyone?" For this versatile Dow chemical serves as a thickener, emulsifier, stabilizer, foamer, binder and suspending agent in a host of products. Chemists refer to it as methylcellulose. Produc-

tion men call it a cellulose gum. To many sales executives, it's that little something extra that gives their products a competitive edge. But as far as the average consumer is concerned, he doesn't even know it's in many of the products he uses.

An *adroit performer*, Methocel is full of chemical paradoxes. For instance, regardless of whether the temperature of the solution of Methocel is raised or lowered, the same end result can be approached—a highly viscous liquid

with a gel-like structure. Unlike sugar or salt, Methocel is more soluble in cold water than it is in hot water. Methocel synthetic gums are colorless, odorless and tasteless, which accounts for the fact that they perform in most products with a high degree of anonymity.

Dow has developed a number of Methocel products with a wide range of viscosities to meet specialized requirements in various fields. Latest addition to the line-up is a granular form that is free-flowing, easier handling and dispersible into cold water. The latex paint industry has been quick to recognize the benefits of the new granular form.

There are many other interesting applications of Methocel. Most aerosols, ranging from shaving creams to oven cleaners, can be improved by the film-forming, grease resistant properties of this cellulose gum. Its versatility and compatibility with other materials make it a logical ingredient for the push-button product.

For the dieting executive, Methocel provides non-caloric thickening and bulk in low calorie foods. The reconstitution of dehydrated foods is accelerated by the dispersing properties of Methocel. Promising new uses include fruit-pie fillings, frozen seafood, and poultry patties.

The doctor's little black bag totes its share of products made with Methocel—as a tablet binder, and in lotions,



New granular Methocel is free-flowing and easier to handle.

creams and ointments. It is used in bulk laxatives where its nonionic character prevents disturbance of the mineral balance of the body. Uses where the excellent resistance of Methocel to bacterial decay is valuable include cosmetics, tobacco, leather, paper and adhesives.

MISCHIEVOUS METALLIC STRAYS seized by chemical claw

Stray metallic ions can cause mischief and downright damage in a host of products including rubber, textiles and soaps. A highly useful group of Dow chemicals known as chelating agents restrain these troublemakers from harmful activities. With chemical "claws", they grasp metallic ions and hold them in isolation from other materials, rendering them chemically inactive.

In the textile industry, for example, copper and iron can easily cause difficulty in bleaching operations. By adding a Dow chelating agent at a strategic point in the process, textile makers can breathe easier about the quality of their products. Dow chelating agents do a similar product protection job in pharmaceuticals, cosmetics, and many other products.

★ ★ ★ ★

HUNDREDS OF OTHER DOW CHEMICALS are helping industry improve products and speed manufacturing and processing operations. Why not let us know of your current requirements? Specific information on any Dow chemical may be obtained by writing THE DOW CHEMICAL COMPANY, Midland, Michigan, Chemicals Merchandising Dept. 611AF12-12.

DOW CHEMICALS BASIC TO INDUSTRY

Glycols • Glycol Ethers • Germicides
Amines and Alkylene Oxides • Solvents
Benzene Derivatives • Fungicides
Inorganic Chlorides • Herbicides
Alkalies and Halogens • Fumigants
Hundreds of other chemicals
Plastics • Magnesium

THE DOW CHEMICAL COMPANY
Midland, Michigan



NEW PLANT

helps develop new formulas

Dow has served the pharmaceutical industry with intermediate chemicals for almost three quarters of a century. Through exhaustive research on basic pharmaceutical chemicals, Dow has made many contributions to progress in this dynamic field. Today, it supplies such keystone chemicals as bromine, medicinal salicylates, epsom salt, chloroform and elemental iodine.

A new multipurpose plant has been set up by Dow to produce limited quantities of new intermediate chemicals. This enables products to be evaluated by pharmaceutical firms during developmental stages. Later, they can be supplied in commercial quantities.



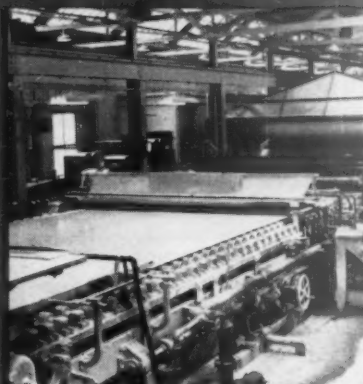
DOW CHEMICALS

on the production line



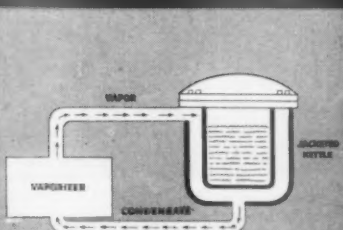
MINING CHEMICALS

Dowfroth®, Xanthates, Z®200, other specialized chemicals teamed with experienced Dow technical service make a great combination for mining.



AMMONIA

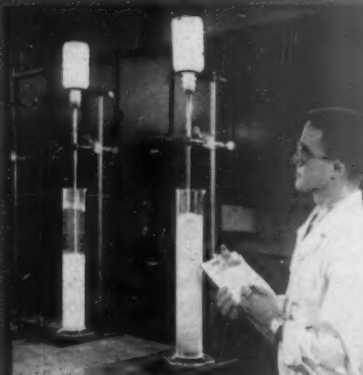
Paper companies, formulators of cleaning and scouring compounds, and fertilizer manufacturers benefit from the high purity of Dow ammonia.



350° to 750°f

DOWTHERM®

This organic liquid transfers heat with precision efficiency in high temperature processing. Delivers pinpoint temperature control at 350° to 750°F.



ION EXCHANGE RESINS

■ Dowex® ion exchange resins recover valuable materials in mining, soften water for home and industry, do many chemical processing tasks.

A REPORT TO MANAGEMENT ON HOW Industry cuts costs with FIR PLYWOOD

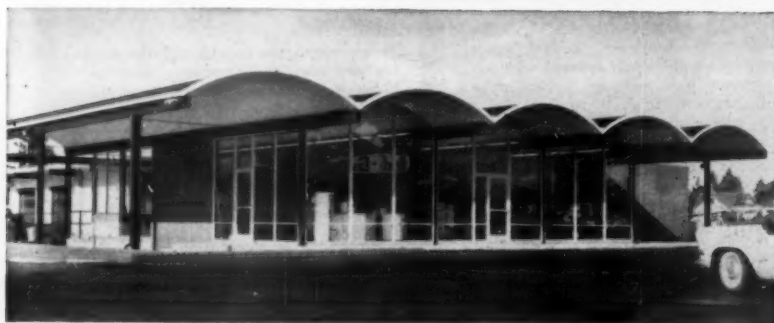
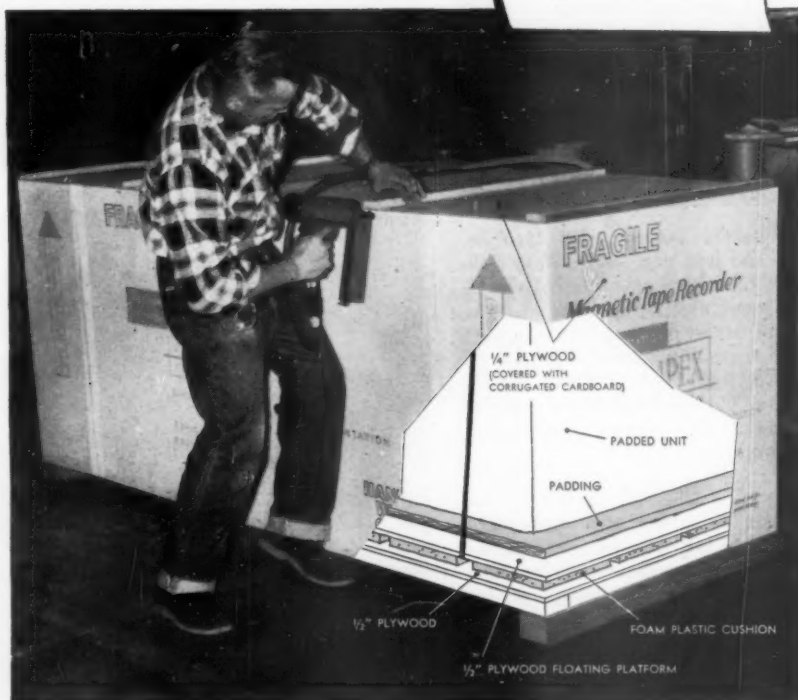
ROUTE TO:

- ☐ ENGINEERING
- ☐ PRODUCTION
- ☐ SALES
- ☐ PURCHASING
- ☐ MAINTENANCE
- ☐ CONSTRUCTION
- ☐

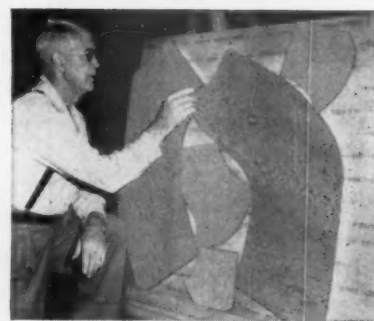
Prize Package—This unique fir plywood shipping container features a free-floating inner floor that virtually eliminates in-transit damage to delicate electronic equipment—yet it costs and weighs only half as much as the bulkier crates it replaces.

Adapted by Ampex Corp., Redwood City, Calif., from a system developed by North American Aviation, the container was an award winner at the packaging competition recently conducted by the Society of Packaging and Materials Handling Engineers.

Termed "free floating suspension" packaging, the system is keyed to a foam plastic-supported fir plywood platform to which the padded lading is securely strapped. Sides, top and bottom of the crate itself are also fir plywood. Plywood construction provides strength and rigidity without the penalty of extra weight, gives maximum impact and puncture resistance, and also simplifies fabrication and assembly.



Fir plywood vaulted roof components helped hold overall construction costs to \$8.10 per square foot on this new Redi-Gas office-display-warehouse building in Tacoma, Washington. The multiple arch roof is composed of curved stressed-skin panels (each four feet wide and spanning 16 feet) which combine roof decking, finish ceiling and insulation. In addition to reducing on-site labor by as much as 80 per cent, the curved roof components permit large clear floor areas, spanning 16 feet without supplementary support from purlins or trusses. Each panel consists of Exterior fir plywood top and bottom skins glued to light lumber framing.



Plywood patterns help save hundreds of dollars monthly at Ryan Aeronautical Co. Fir plywood is cut to exact shapes of parts to be obtained from metal sheets and arranged for optimum cutting. Polaroid camera prints are rushed to production crews within minutes after the layout is approved.

FOR MORE INFORMATION about fir plywood—its uses, properties and advantages—write
DOUGLAS FIR PLYWOOD ASSOCIATION
TACOMA 2, WASHINGTON
—an industry-wide organization devoted to research, promotion and quality control

Always specify by DFPA grade-trademarks





POWER

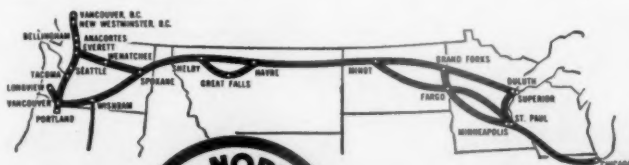
low-cost power...abundant power
throughout the region served by
Great Northern Railway

Kilowatts by the millions! That's the rich resource of the area lying between the Great Lakes and Puget Sound, the area served by Great Northern. Power production in this area has grown 460% in the 20 years, 1937-1957.

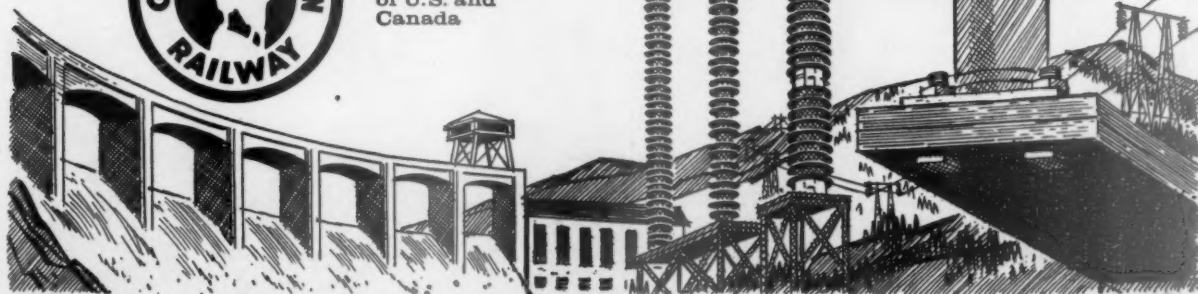
Here Mother Nature piled up tremendous reserves of water, fed continually by melting snows from the high mountains. Man has harnessed incredible power with privately and publicly financed hydroelectric installations. Their engineering puts the Pyramids of Egypt to shame.

And in areas where water power alone is not enough, lignite from Dakota's nearly inexhaustible supply is pressed into duty as a power producer.

It's a resource worth reckoning for far-sighted planners of industrial production. We'd like to tell you more about it. Address your inquiry to *E. N. Duncan, Director Industrial and Agricultural Development, Great Northern Railway, St. Paul 1, Minnesota.*



Offices in
Principal Cities
of U.S. and
Canada







profits prophet

If specialty steels are used in your business, MEL-TROL®, *Carpenter's* revolutionary new steelmaking quality control system figures in your future. For MEL-TROL speaks the language of profits . . . new ways to cut costs, increase unit production, improve products along with customer relations.

The secret is a major refinement in steelmaking. In the past, despite every precaution, it was practically impossible to remove many harmful impurities from a steel ingot before it solidified. Composition varied from core to surface. Result: centerline weakness and segregation in parts and shapes. Tools and parts cracked or failed prematurely. Downtime slowed production; ran up costs. Customers were unhappy.

Now, with development of the new, patented MEL-TROL ingot mold, *Carpenter* can maintain greater consistency of structure and composition than ever before . . . through-and-through uniformity that assures you the most *predictable performing* steels ever produced.

These are the kind of things MEL-TROL is doing in many plants across the country: Production increased 400%. Tool life extended nine times. Costs down 75%. These are the things we can do for you . . . at no extra costs . . . if you talk MEL-TROL's language.

New CAPACITY . . . To give you famous *Carpenter Quality* steels in greater quantity, faster, *Carpenter* has virtually doubled production capacity in the past two years, with new melting and finishing facilities.

New SERVICE . . . What was already a leading, nationwide warehousing and technical service facility has been implemented and expanded to provide even better and faster 'round-the-clock help on any specialty steel problem.

tool and die steels

stainless steels

high temperature alloys

electronic, magnetic and electrical alloys

special-purpose steels

tubing and pipe

fine wire specialties

Carpenter steel

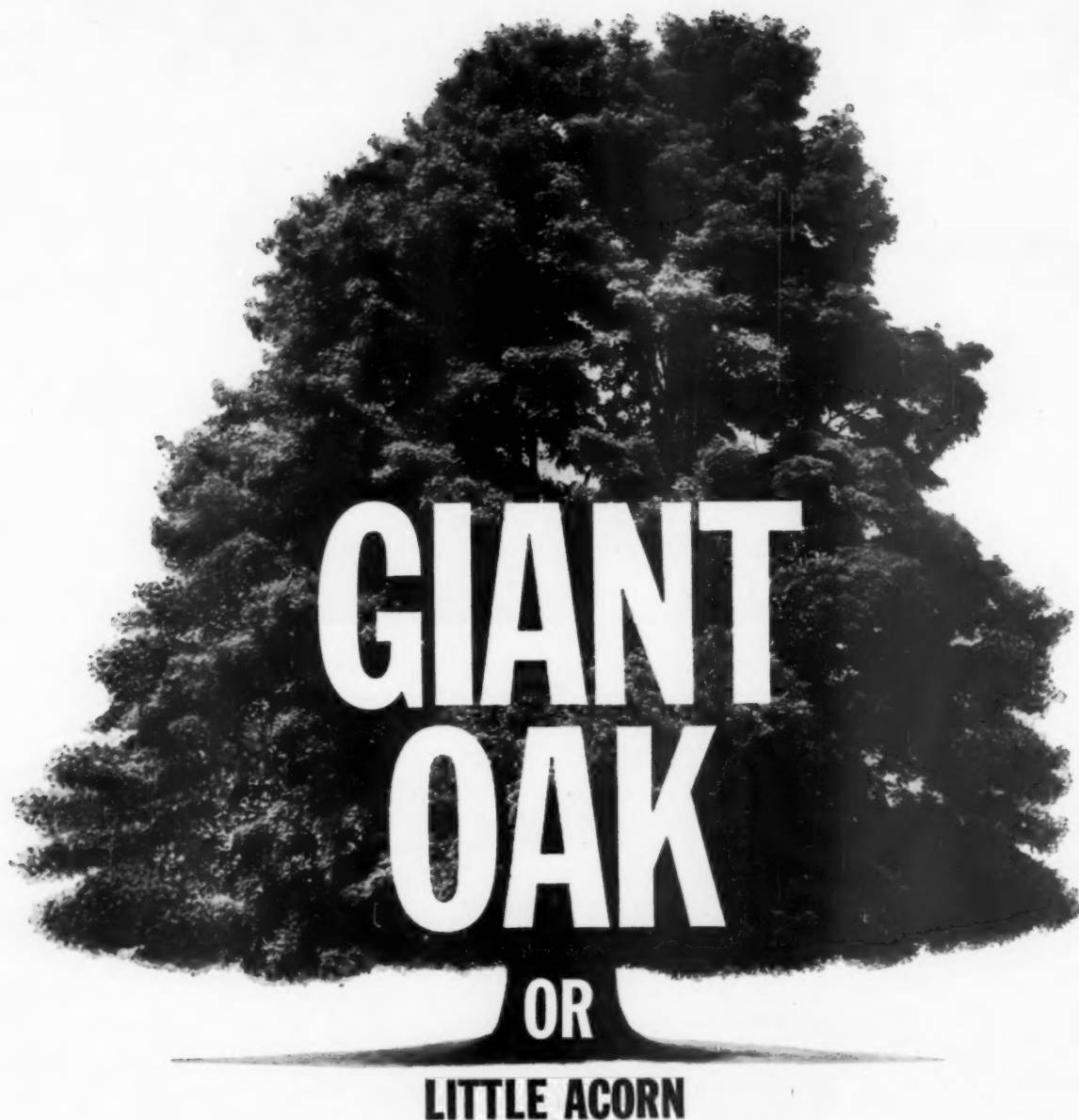


The Carpenter Steel Company, Main Office and Mills, Reading, Pa.

Alloy Tube Division, Union, N. J.

Webb Wire Division, New Brunswick, N. J.

Carpenter Steel of New England, Inc., Bridgeport, Conn.



**No matter how small you start — or how big you grow,
Mutual Benefit Life can bring your company TRUE SECURITY**

"Giant oaks from little acorns grow!" . . . but they must be *sound* little acorns, properly nourished, wisely cared for. Whether your business is a budding one, or already a giant, you can enjoy the exclusive benefits of TRUE SECURITY — Mutual Benefit Life's financial planning for business growth.

With more than a century of experience, Mutual Benefit Life is particularly well qualified to help insure the stability and the very life of your company.

Comprehensive plans are offered only

after a thorough analysis of your organization's present and future needs, and this analysis is made without any obligation to you. For example, you may be interested in protecting partners, survivors or key personnel. You may wish to guard against financial loss, management changes or forced liquidation. Or you may want Personalized Group Protection for employees.

So whether you employ eight or eight thousand, why not avail yourself of the free financial planning service offered through

your Mutual Benefit Life man. His counsel can help provide you with the exclusive advantages of TRUE SECURITY, now enjoyed by thousands of companies of every size.

Your Mutual Benefit Life man is phone-call close.

MUTUAL BENEFIT
The LIFE Insurance Company
for TRUE SECURITY

THE MUTUAL BENEFIT LIFE INSURANCE COMPANY, NEWARK, NEW JERSEY

"I can give you 1750 reasons why I rent a car from HERTZ!"



HERTZ has 1750 offices!

"That's more offices, more cars than anyone else in the rent a car business.

"It gives me 1750 places where I can rent... leave... or reserve a Hertz car.

"With 1750 offices, the Hertz 'Rent it here-Leave it there' plan is the best. With my HERTZ AUTO-matic Charge Card* I can rent a car and charge it in any city immediately."

Next time you need a car, take advantage of the 1750 reasons that make Hertz the world's largest rent a car service.

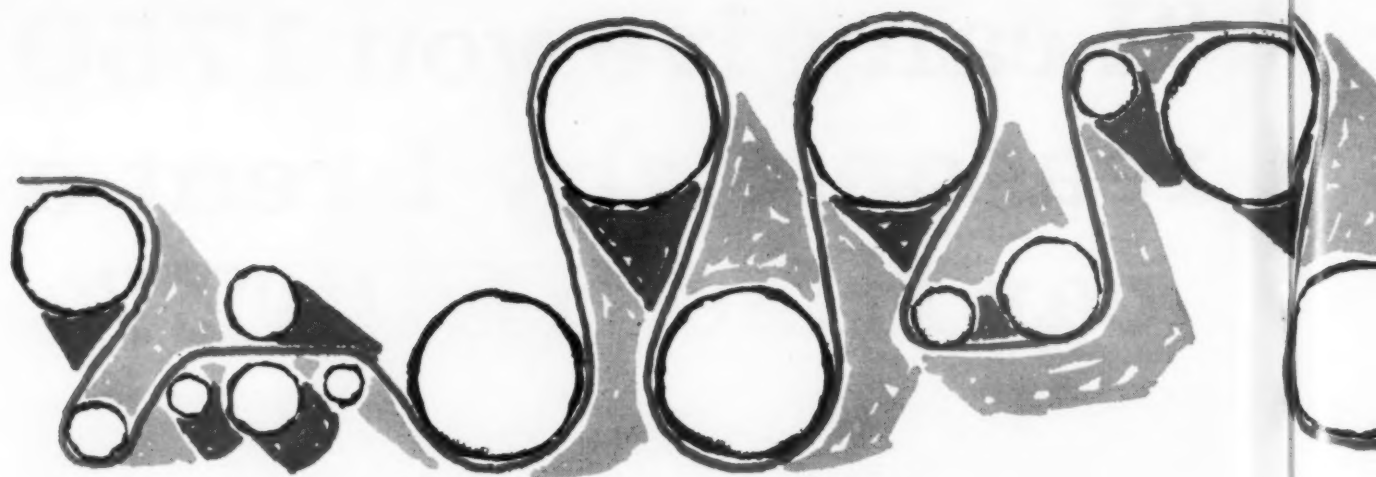


HERTZ Rent a car, Chicago, Ill.

Clean beautiful new Chevrolets and other fine cars.

HERTZ puts you in the driver's seat!

*Hertz honors Air Travel, American Express, Diners' Club, Hilton Carte Blanche and other accredited charge cards.



Before Crown-Zellerbach Powered-Up at Port

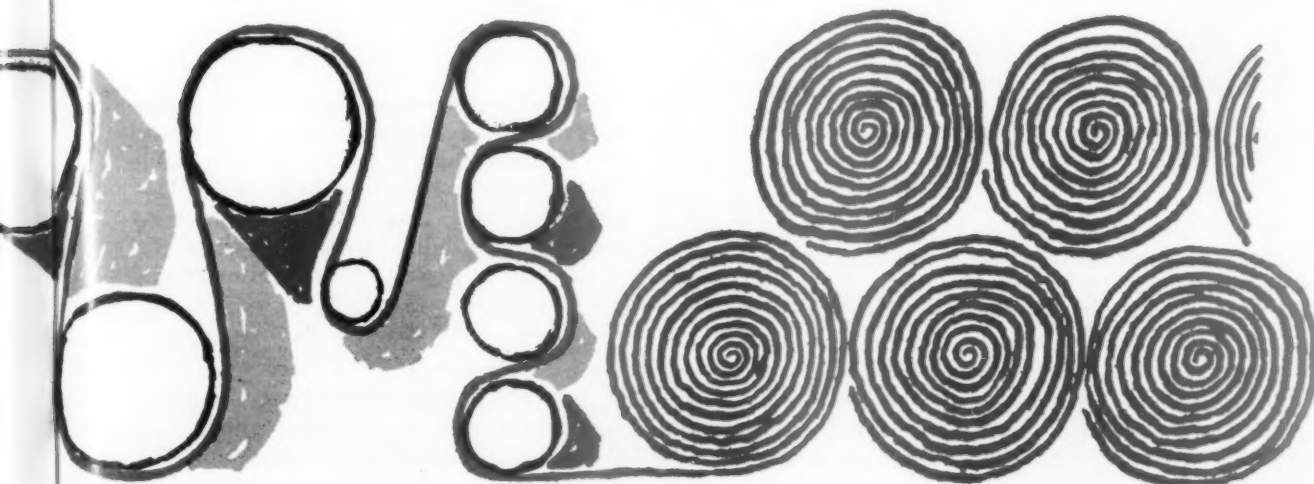


Now, greater use of electric power helps

POWER-UP FOR PROFIT



Townsend, one machine produced this much paper



increase machine capacity, reduces unit costs

ELECTRICALLY

Power-Up is a Westinghouse program to help you increase profits through greater productivity. In your plant it may be higher capacity machinery or an engineered drive system to provide increased speed and range flexibility from existing equipment. Whatever your need, maximum use of low-cost kilowatthours can help you earn satisfactory profits. You will need more capacity to meet the

40% increase in demand for goods by 1965.

Be sure—like Crown-Zellerbach—that your electrical equipment is engineered to produce profits as well as output. Call your Westinghouse representative or your electric utility power sales engineer. They can tell you the electrical steps you can take now to start a Power-Up program in your plant.

J-96137

YOU CAN BE SURE...IF IT'S **Westinghouse**

WATCH "WESTINGHOUSE LUCILLE BALL-DESI ARNAZ SHOWS" CBS TV FRIDAYS

New user reports say once again... rely on Ryerson for increased values

Here are new case histories that typify how thousands of steel and aluminum users who rely on Ryerson get *increased values* for their purchasing dollars. Individual points of difference between Ryerson and other sources may not in every case seem overwhelming—but in total they add up to an important difference in dependability, experience and capacity to serve.



Production up 30%. In the manufacture of this coupling, a large job shop recently switched from MT 1015 tubing to Ledloy® 170 tubing from Ryerson. Machining speed was stepped up to 170 sfm, and production increased 30%.

Emergency needs met. A breakdown was cutting output of a big paint producer, and the steel needed to repair the break was not available in the area. However, the required analyses and size were on hand at the nearest Ryerson plant 200 miles away—and within an hour Ryerson delivered 100 feet of this bar stock to the local airport. Three and a half hours after calling Ryerson in another state, the customer had his steel.



Aluminum key to low-cost production. Aluminum from Ryerson replaced chrome-plated brass on this hub for a disposable hypo needle—saving two-thirds of basic material cost plus elimination of expensive chrome plating. Machinability was equal to that of brass.



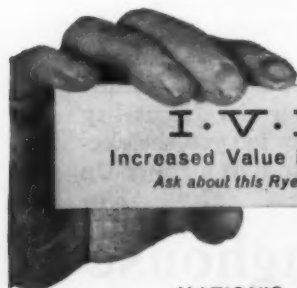
Switch to stainless doubles production of missile part. When this part was made of alloy steel, tolerances for threads and finish were not consistently held. And there were 25% rejects after plating. The solution came when specs were changed to free-machining Type 416 stainless from Ryerson. Plating was eliminated... production was doubled... thread tolerances were held... and the required finish was easily produced in milling operation.

Better product appearance and a worthwhile saving in material cost resulted when a Ryerson man recommended that a producer of portable coolers switch from one aluminum alloy (3003-H14) to another (5005-H14). Slightly higher structural strength was a bonus value. Unusually broad aluminum stocks and technical resources often enable Ryerson to serve in this way.



PVC cuts costs 50%. A screw machine shop recently replaced nylon with Ryertex®-Omicron PVC in the manufacture of a nipple adapter and coupling nut, and cut costs 50%. PVC machined better—to closer tolerances with improved finish... ran faster without "gumming." Note the perfect cutting of threads and barbs. Threads fit perfectly.

These examples illustrate some of the many advantages that make Ryerson service truly unique. A call to your Ryerson representative may solve similar problems for you.



I.V.B.M.
Increased Value in Buying Metals
Ask about this Ryerson Plan for 1959



RYERSON STEEL®

Joseph T. Ryerson & Son, Inc., Member of the **INLAND** Steel Family

STEEL • ALUMINUM • PLASTICS • METALWORKING MACHINERY
NATION'S MOST COMPLETE SERVICE CENTERS IN PRINCIPAL CITIES COAST TO COAST

BUSINESS OUTLOOK

BUSINESS WEEK

DEC. 12, 1959



Prices of industrial raw materials suggest little excitement about inventory restocking—or about a new business boom—blowing the lid.

In fact, many quotations are lower than they were before the injunction sent the steel workers back onto the job.

Metals aren't immune to the nervousness afflicting commodities.

True, the tone has been distinctly firm in copper pending a strike settlement. The continuing pinch on supplies for quick delivery in London has accentuated the supply-price problem in this country.

Zinc, too, has been helped by a firm market in London. But there are doubts on the steadiness of lead prices, both here and abroad.

Weakest spot in the metal markets, ironically, is steel scrap.

The irony is accentuated by the fact that the price advanced by \$8 to \$10 a ton while the steel strike was on. Since then, though, scrap has shed about a third of that rise.

The dip in steel scrap prices is partly due to disappointment that a rush of buying failed to develop when the mills started up.

But it is also true that the mills had a good bit of scrap on hand from before the strike, and that they still think they'll have enough ore to eke out till spring.

This has enabled the steelmakers to take a standoffish attitude.

Zinc prices were marked up twice while the steel strike was on in the belief that galvanizing demand would jump at the walkout's end.

This demand now doubtless is being felt. Smelters delivered 77,000 tons of zinc to customers in November. That was the best rate since June by a substantial margin and roughly paralleled the average for the months preceding the May-June peak.

Deliveries last month cut refiners stocks to 176,000 tons, 39,000 below the year's high. Present holdings, nevertheless, are pretty ample except for the fact that they are a bit light in the higher grades.

Rising auto output will be boosting nonferrous demand, particularly if first-quarter activity lives up to expectations.

This, too, will help zinc, for automotive die castings are a major factor in the market for what the metal trade calls "special high grade."

So far, lead hasn't taken much heart from the steel resumption.

November sales showed little improvement over the disappointing levels of September and October. In addition, supplies remain high while prices in the world market are below those in the U. S.

Under the circumstances, smelters are reluctant to buy metal or concentrates, according to McGraw-Hill's E&MJ Metal & Mineral Markets.

—●—
Consumers aren't getting much benefit out of the uncertainty in the prices of industrial raw materials.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

DEC. 12, 1959

While it is true that they are paying little if any more for things made of metals (and their food costs have declined), the persistent rise in the cost of services continues to raise the cost of living.

Take a rundown of the latest report on consumer prices, and you'll see where the push is coming from:

- Food sells for about 1% less than a year ago, while homefurnishings (including appliances) are up only a little.
- But the "service" items such as medical care, personal care, recreation, and transportation show gains of 2% to 4%.

Apparel has become a cost-of-living booster for the first time in a long while. This reflects higher cost factors, not the least of which is dearer cloth due to the broad recovery in textile activity.

The year-long rise in hide prices, though there has been a sharp turn-about since August, also has raised shoe prices.

—●—

Natural rubber's share of the U.S. market continues to shrink. This has been particularly true recently with tree rubber bringing a price close to 50% higher than a year ago.

Consumption of all rubber this year will exceed 1.6-million tons for the first time. But natural rubber will get less than 35%; in the previous record year, the natural product had 41% of the market.

Put another way, we'll use 100,000 tons more rubber this year than in 1955, but consumption of natural will be 70,000 tons less.

—●—

Coal is having its poorest year since 1954 (and, except for 1954, the worst since 1939). Due to smaller exports and consumption lost by the steel strike, 1959's mine output will barely top 400-million tons.

Most recent years have run at least 50-million better than that.

—●—

Manufacturers will be hustling, barring a resumption of the steel strike, to get outlays for new plant and equipment back on schedule (page 26). There are two major reasons for the lag:

- Inventory restocking will be pushing capacity in many lines.
- Spending fell far below planned levels in 1959's last half.

Blame the cuts in capital spending on lack of steel—more properly, on the lack of urgency due to the steel strike. Whatever the causes or motivations, here's what happened:

Third-quarter plans called for manufacturers to spend at an annual rate of \$12.8-billion; they missed by half a billion or more.

In the fourth quarter, they budgeted for \$13.7-billion; already it appears that they will miss by nearly a billion.

Under other circumstances, it might be feared these shortfalls were dead losses. But, as 1960 shapes up, this is more work to do.

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Urethane Foam Cushioning

is one of the reasons



IMPERIAL

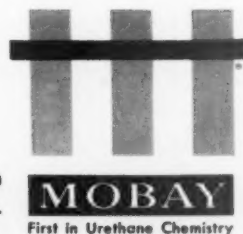
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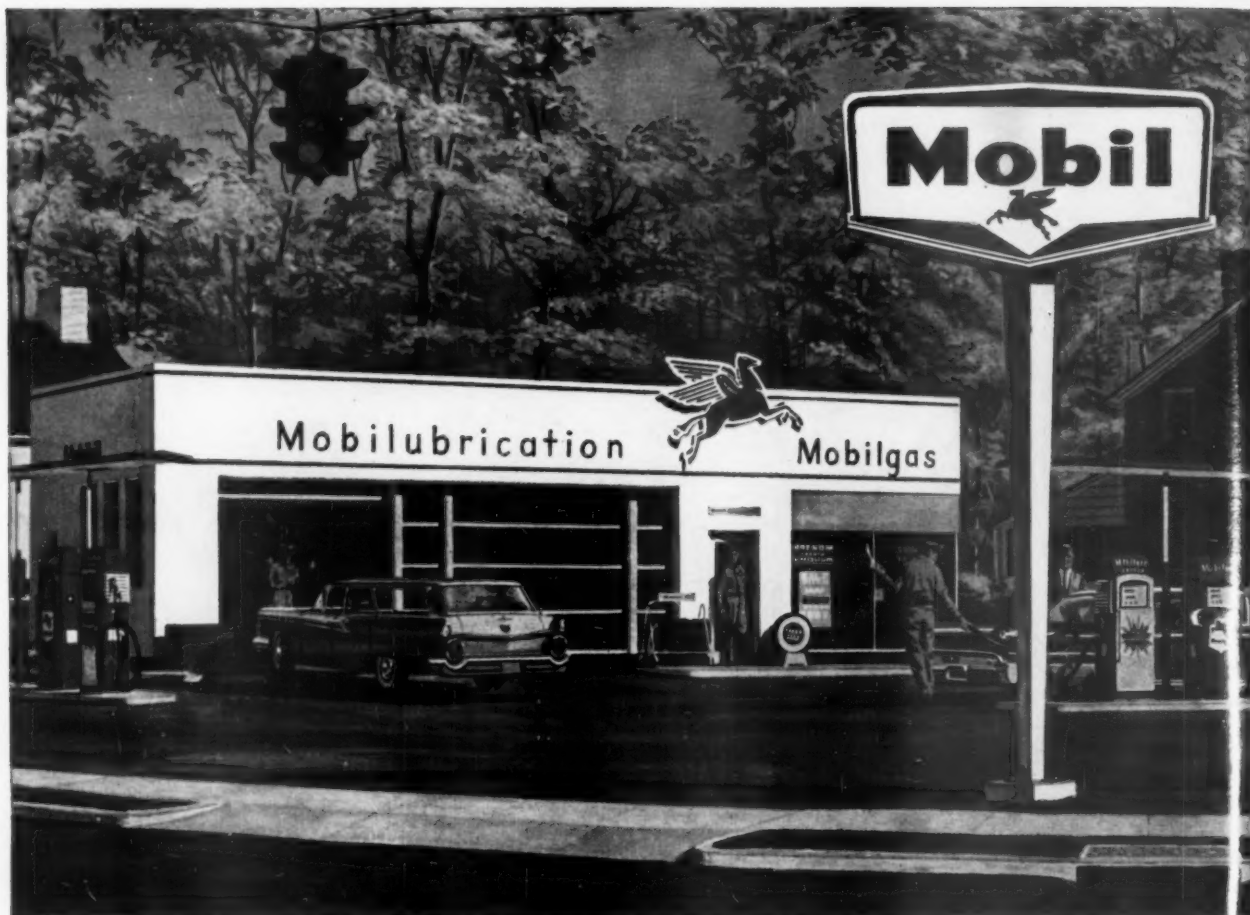
Finest Product of Chrysler Corporation



*For the finest quality products,
look to the companies who specify
the highest quality materials.*

Mobay supplies highest-quality chemicals used in
the manufacture of urethane foams for industry.





At Mobil service stations, internally-lighted pole signs have PLEXIGLAS faces, letters and trademark insignia. Signs measure approximately four by eight feet.

You build more sales
with signs of

PLEXIGLAS



Nearby, or down the road, nothing catches the eye and invites business like a sign made of PLEXIGLAS® acrylic plastic.

Day and night, PLEXIGLAS signs are attractive in appearance, colorful and legible. To the public, they signify locations that are clean, modern and "a good place to do business". That is why leading merchandisers in many fields have adopted sign programs based on PLEXIGLAS.

Other reasons why it is good business to use PLEXIGLAS—for a single sign or thousands—are its strength, resistance to weathering, low maintenance costs, and the accuracy with which trademarks can be reproduced.

Sales go up when a PLEXIGLAS sign goes up. Write for literature, and the names of sign companies who can help you develop a sign program around the exciting possibilities of PLEXIGLAS.

Send for this full color brochure, "PLEXIGLAS for SIGNS". It tells how PLEXIGLAS has brought about new concepts of sign appearance and performance.



Chemicals for Industry
ROHM & HAAS
COMPANY
 WASHINGTON SQUARE, PHILADELPHIA 5, PA.

In Canada: Rohm and Haas Company of Canada, Ltd., West Hill
 Crystal Glass & Plastics, Ltd., Toronto.

... and it will land on concrete



- There's 295,000 pounds of airplane that needs a safe runway to land on.

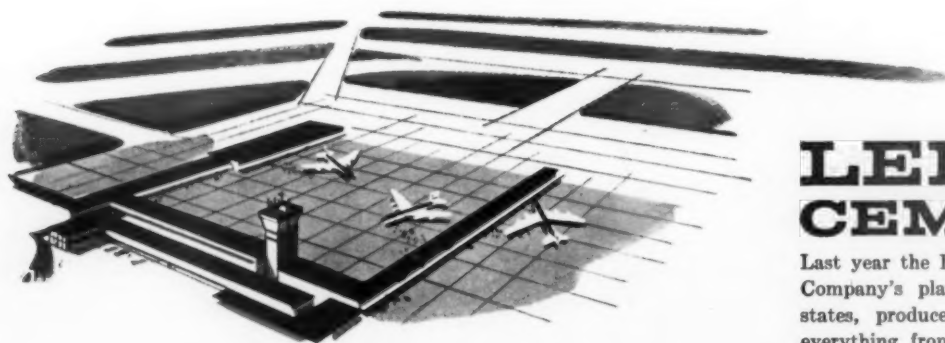
That plane, and all the other modern giants that shrink hundreds of miles into minutes, might never have been built to provide the superlative airline service you enjoy, were it not for the sturdy concrete which allows them to be brought back to earth safely.

In this unique and wonderful country of ours, with

its practically limitless opportunities for success, for travel, for recreation, concrete plays an inconspicuous but vital role in so many ways that they defy cataloging.

As one of the nation's major producers of cement, the basic ingredient of concrete, we take satisfaction in helping to make our way of living *better*.

Lehigh Portland Cement Company, Allentown, Pa.



LEHIGH CEMENTS

Last year the Lehigh Portland Cement Company's plants, situated in eleven states, produced cements for use in everything from rocket-launching pads to outdoor basketball courts.



LUXURY GOODS feature Christmas buying. Here's the Club IIII, where free drinks help sales in Sakowitz Bros.' Houston store.

Yule Sales Head for a Record

You can mark this down as the biggest Christmas ever.

Retailers from coast to coast this week told BUSINESS WEEK reporters that:

- Sales for the season are running ahead of 1958 by margins ranging from 2% to as much as 15%—and for the year as a whole the total should top a year ago by a national average of 5% to 8%.

- Customers are more free-handed in their spending, with some cities reporting that gift buying is approaching a "luxury Christmas."

- Crowds have been jamming downtown areas, starting right after Thanksgiving. And, according to one retailer, "We didn't have to drive them in with a stick."

- Some Dissent—Only scattered re-

ports clouded this rosy outlook, with a good chance that these sales will pick up too as customers rush into the final week—with its extra shopping day compared to last year—before the holiday. Los Angeles, usually bubbling with enthusiasm, was less than happy about the first December selling week. Overly warm weather gets the blame there, plus the longer shopping period (the last time Christmas fell on Friday was 1953). Said a department store vice-president: "We're afraid it's all going to come as an avalanche later on, and that will be bad because good help is awfully hard to get." Another added: "Maybe we just expected too much."

Portland merchants, too, were complaining mildly that sales weren't up to expectations after a roaring start in November. But there the newspaper

strike gets the blame. In the nation's biggest market, New York City, retailers weren't overly enthusiastic, even though big Abraham & Straus said its downtown Brooklyn store, as well as its suburban branches, would set all-time records.

Some merchants around the country were a little concerned lest the extra heavy November sales had stolen some of the December volume. On the other hand, they look for the extra shopping day and the usual last-minute spurt to take care of the early December letup. Says a St. Louis retailer: "We got a lot of Christmas business as early as Nov. 16, which we normally don't get until after Thanksgiving. Now the only question is: Will it taper off in December?"

- **Bubbling Miami**—Generally, merchants were more than confident—they

were certain of setting records. In Miami, enthusiasm was almost uncontrolled—with adjectives like sensational, magnificent, unbelievable tumbling from retailer lips. One merchant expected a 10% increase, finds now it is nearer 25%. Said another: "Business is simply wonderful. It's the best early Christmas I can remember. We look for all records to be broken."

In Atlanta the heavy buying was clearly signaled the first two days after Thanksgiving—the citywide time for the Christmas kickoff. Rich's big department store set a Friday-after-Thanksgiving record with sales well over the million-dollar mark and about 15% ahead of the comparable day in 1958.

Even in areas hard hit by the prolonged steel strike, sales were holding up remarkably well. Pittsburgh department stores, for instance, report year-to-year gains of 5% to 6% with November an especially good month. Now, though, the city is being hit by a trolley and bus strike that started this week. Even with this—and the effects can't be firmly determined—department stores still feel they will wind up the year 4% to 5% ahead of last year.

Chicago stores, with some areas affected by the steel strike, are looking for sales gains of 2% to 15% despite a slump in the first week of December.

Birmingham, also strike-hit, is keeping its fingers crossed. Department and appliance stores expect Christmas to equal last year's, at least. Jewelers expect a slight drop, and furniture stores a bigger one, perhaps 5%. Says a department store official, "If there should be a steel agreement in the next few days, there is little doubt we will top last year."

• **Inventories**—Any slight jitters you can find among merchants stems partly from heavier inventories—heavier, that is, than stores have been carrying since their sharp cutbacks starting with the 1957-58 recession. This year they were buying with the idea of larger sales, and that hangs over them somewhat until the sales develop. Inventories are back to normal, with only a few shortages showing.

Holiday promotions in some cities started early. Some stores were a week or two ahead of last year in their gift advertising. In Milwaukee, by the middle of November, store interiors were decorated; mentions of the upcoming holiday began creeping into newspaper copy. The real bombardment began on Thanksgiving—when the Milwaukee Journal joyfully announced on its front page that "today's Thanksgiving Day Journal includes the largest volume of retail advertising ever published in a Wisconsin newspaper."

• **Stepped-Up Promotion**—In Denver, stores didn't start opening nights until this week, but this year they'll be open

every night, rather than three nights a week. Stores seem more promotion minded. As a Miami merchant put it: "We kind of sneaked into Christmas last year. This year we let our shoppers know we wanted them. And they've been responding in kind."

What's most encouraging to the nation's merchants is an almost universal trend of the customers to upgrade their purchases.

• **Luxury Goods**—Nobody exactly refers to the season as a "luxury spree." But diamonds and furs are selling well just about anywhere you inquire. In Miami, says a retailer, "we are selling \$40 cashmere sweaters, rather than \$19 orlons."

An Atlanta jewelry store manager reports: "The most pleasant surprise has been the diamond business—our add-a-diamond bracelets (the kind that takes a new gem on its string) are really moving." This despite the fact that generally merchandise is 10% higher in price.

High-priced specialty shops in Chicago that carry \$140 gold lipstick cases and \$50 imported ski pants report good traffic and sales "exceptionally higher" than last year. A big State Street department store reports "they're buying \$600 dresses like there's no tomorrow."

Appliance sales are better than usual in most areas. "We have already delivered a surprising number of refrigerators and stoves with big red ribbons around them," says an Atlanta retailer. If fact, some stores say transistor radios are in short supply. And one merchant says "people are even looking at color TV sets."

• **Stress on Imports**—Imports are getting a heavy play. Macy's store in Atlanta, Davison-Paxon, has set up for the first time a "Universal Christmas Shop" with major emphasis on imported linens, tableware, and the like. It's doing a thriving business. In Milwaukee, the Boston Store, a Federated department store, is giving prominent space on the ground floor to an "import gift section."

Women in Los Angeles are buying luxury leisure clothes for home entertaining, says a major department store, in addition to decorative pillows. "I don't know what people do with all the pillows," he adds.

For children, stores are loaded with space toys and missiles—some so realistic that Washington (D. C.) police made retailers stop selling a few of them—too dangerous.

Musical toys, a large chain store reported, are hot items, selling for up to \$50.

In Atlanta, a men's store is selling the male version—in red nylon—of ladies' leotards. They're called "heotards."

Spending

Businessmen may be merely postponing plant expansion until later in the year, but their budgeting for the first quarter is disappointing.

One of the most serious delayed reactions of the steel strike comes into focus in this week's release of figures from the capital spending survey of the Commerce Dept. and the Securities & Exchange Commission (right). That is the tendency of businessmen to put the brakes on their expansion plans, now that steel supplies are tight and their future uncertain.

Although some companies have been lucky enough to escape with only minor dislocations in production as a result of the strike, figures show that virtually all major industries are by now feeling the secondary squeeze on capital spending programs.

The Commerce-SEC survey shows generally lower spending plans for the current quarter, with especially sharp declines in the iron and steel industry, oil companies, railroads, and gas and electric utilities.

• **Not So Rosy**—Looking ahead into 1960 for the first time, businessmen are scheduling first-quarter capital outlays at an annual rate of \$34.4-billion, seasonally adjusted. That would be 15% above the 1959 average and, as the table at right shows, \$450-million above the estimated rate for the current quarter.

However, this increase is less encouraging than it looks. It starts from a sharply lowered spending level, and it is the smallest quarter-to-quarter gain in a year—at a time of year when business would ordinarily be expected to accelerate its quarterly increases in a budget.

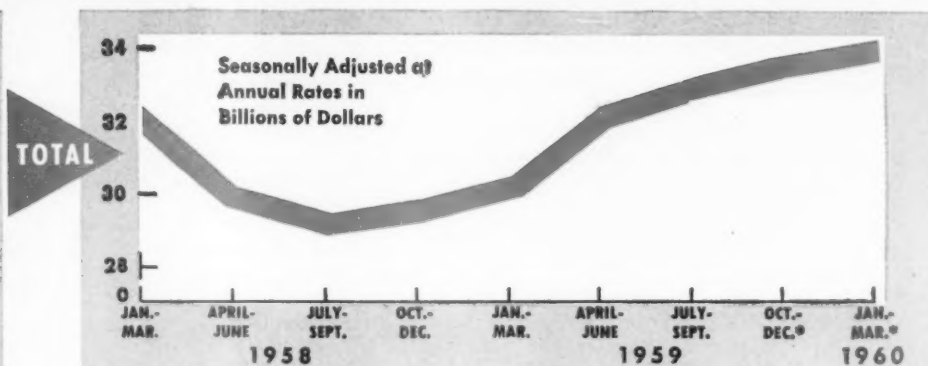
At the outset of the year, businessmen talked of investing in new plant and equipment at an annual rate of \$32.64-billion in the October-December quarter. In the September survey, they had raised their sights to \$35.34-billion. The latest survey shows them down again to \$33.95-billion—the floor from which they chart the \$450-million rise for the coming quarter.

Thus, the intervention of the steel strike brings first-quarter 1960 capital spending plans down almost to the level predicted in midsummer for the July-September quarter. That was a \$34.29-billion annual rate, which wound up at \$33.35-billion (table).

• **A Growing Caution**—Questionnaires for the present survey were completed four to six weeks ago, either shortly be-

Plans Depressed by Steel Worry

Expenditures for New Plants and Equipment by U. S. Business, Quarterly 1958-60



	1958				1959				1960			
Seasonally Adjusted at Annual Rates in Billions of Dollars	JAN.- MAR.	APRIL- JUNE	JULY- SEPT.	OCT.- DEC.	JAN.- MAR.	APRIL- JUNE	JULY- SEPT.	As now planned				
								As planned 3 months ago				
								↓	↓			
	JULY- SEPT.	OCT.- DEC.	JAN.- MAR.	APRIL- JUNE	JULY- SEPT.	OCT.- DEC.	JAN.- MAR.	APRIL- JUNE	JULY- SEPT.	OCT.- DEC.	JAN.- MAR.	
MANUFACTURING	\$13.20	\$11.53	\$10.86	\$10.58	\$11.20	\$11.80	\$12.81	\$12.25	\$13.72	\$12.82	\$13.84	
Durable Goods.....	6.58	5.57	5.16	4.86	5.26	5.74	6.28	5.83	6.65	6.13	6.97	
Primary iron & steel.....	1.52	1.27	1.20	.90	1.02	1.07		.90		1.08	1.51	
Primary nonferrous metal...	.68	.44	.35	.34	.32	.35		.28		.36	.37	
Elec. mach. & equip.....	.52	.47	.43	.44	.44	.49		.55		.51	.54	
Mach., except elec.....	1.11	.96	.84	.79	.79	.91		.95		1.04	1.00	
Motor vehicles & equip.....	.66	.63	.52	.46	.56	.58		.68		.66	.84	
Transp. equip., excl. m. v...	.43	.36	.35	.36	.38	.39		.41		.37	.46	
Nondurable Goods.....	6.62	5.96	5.70	5.72	5.94	6.06	6.53	6.42	7.07	6.69	6.87	
Food & beverages.....	.71	.76	.76	.75	.77	.83		.83		.88	.88	
Textile mill pds.....	.30	.26	.29	.30	.32	.37		.45		.49	.53	
Paper & allied pds.....	.63	.58	.59	.52	.55	.61		.66		.67	.71	
Chemicals & allied pds...	1.51	1.38	1.27	1.17	1.14	1.17		1.30		1.30	1.42	
Petroleum & coal pds.....	2.86	2.42	2.17	2.36	2.53	2.40		2.47		2.54	2.53	
MINING	1.00	.92	.88	.97	.95	.94	1.04	1.01	1.06	1.05	.95	
RAILROADS	1.02	.77	.63	.58	.63	1.00	1.41	1.28	1.12	.87	.84	
OTHER TRANSPORT.	1.69	1.40	1.29	1.62	1.71	2.08	2.19	2.17	2.12	2.22	2.15	
PUBLIC UTILITIES.....	5.87	5.97	6.10	6.26	5.80	5.82	5.80	5.58	5.93	5.81	5.59	
COMMERCIAL ETC.....	9.63	9.73	9.85	9.96	10.33	10.87	11.04	11.06	11.39	11.18	11.03	
TOTAL	32.41	30.32	29.61	29.97	30.62	32.51	34.29	33.35	35.34	33.95	34.40	

Source: Securities and Exchange Commission.

* Anticipated expenditures reported by business in late October and November 1959.

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fore or shortly after steel production was resumed under a Taft-Hartley injunction. Then it was still uncertain how soon the mills could start delivering steel and how much. This was then debatable.

In this uncertainty, businessmen scaled their capital spending plans for 1959 as a whole down to \$32.6-billion—about \$620-million less than they had been planning in midsummer. The big question now is whether the loss to the nation's productive capacity is only temporary, to be made up later next year. Most economists think the cut-back in plans is partly just a deferment, not a cancellation. But exactly how much can be regained later in 1960 is still anybody's guess.

• Revised Estimate—On the basis of

the September survey, Administration economists had been optimistic about 1960's chances of topping the record \$37-billion spent in 1957. Now they're not so sure, though they insist that the economy will be operating at a higher level next year than in 1957.

The more cautious prophets now talk of 1960 capital outlays between \$36.5-billion and \$37-billion. Others feel there's still a chance to top \$37-billion. The McGraw-Hill capital spending survey (BW—Nov. 14 '59, p. 76), which differs somewhat from the government survey in coverage, estimated slightly above \$37-billion.

The SEC-Commerce survey shows signs that manufacturers already are trying to make up some of the lost ground next quarter, with durable goods pro-

ducers leading the way. Manufacturers are scheduling a \$1-billion increase in their rate of spending over the coming three months. That's the sharpest quarter-to-quarter jump for manufacturers since capital spending started reversing its trend in 1958. Moderate drops in other areas such as commercial building, public utilities, and transportation cut the over-all gain to \$450-million.

Iron and steel producers are programming a 40% boost from their depressed fourth-quarter 1959 spending; automotive companies, 27%, and transportation equipment makers, 24%. In the nondurables group, chemical producers plan a rise of almost 10% and stone, clay, and glass industries also a sizable increase.

Heat's on TV Inside and Out

Federal agencies crack down on payola and misleading commercials, as networks do their own housecleaning, too. Cowan of CBS-TV resigns in heated dispute with Stanton.

Television's scandal probes reached the action stage this week. And more action is coming, both from the industry's own housecleaning and from aroused federal bureaucrats, who are now biting as well as barking. Latest targets in the harassed industry:

- **Widespread payola**—a word for the long-established system of commercial bribery for program mentions of all kinds of things, from phonograph records to department stores.

- **False advertising**—whether misleading or extravagant in claims or deceptive in film technique.

Continuing probes in these sensitive areas will keep nerves taut for months to come, in an industry where tension already is great. The tension broke into the headlines this week when Louis G. Cowan resigned as president of Columbia Broadcasting System's TV network.

- **Cowan Blasts Off**—"You have made it impossible for me to continue," Cowan wrote to Dr. Frank Stanton, CBS president. He said Stanton had tried to get him to resign for health reasons, as a cover-up for the truth, which Cowan said was his identification with quiz shows. Cowan was creator and owner, until he became head of CBS-TV, of the \$64,000 Question, which figured prominently in the hottest Congressional quiz show hearings.

Stanton accepted Cowan's resignation, effective immediately, and named James T. Aubrey, Jr., as his successor. He said he was shocked that Cowan "should attribute to me motives that have no basis in fact whatever." His only doubt about Cowan, he said, was about his administrative ability in what might be the most critical six months in the network's history.

I. Payola Crackdown

In the digging of the payola dirt, just about everyone is getting on camera—the Federal Trade Commission, the Federal Communications Commission, Congress, and the networks themselves. Officials of the industry and of the two agencies, which have been criticized by Congress as being too soft with the broadcasters, are hoping they can show convincing action before Jan. 4, when Congress reconvenes.

- **FTC Charges**—In its first formal complaints against payola, FTC laid charges of bribing disk jockeys against three big record companies—RCA-Victor, London, and Bernard Lowe, Inc.

(Cameo)—and six distributors in Philadelphia and Cleveland.

FTC says this payola violates the law two ways: (1) it deludes the public into buying "hit" records it might otherwise not have bought; (2) it unfairly diverts trade from competing record makers and distributors.

- **FCC Threat**—FCC issued an unprecedented order to every broadcaster—556 TV stations and 4,770 radio stations—to file an affidavit testifying to any form of payola received by any of its officers or employees during the past year. It threatens to exercise its right to revoke the licenses of stations in flagrant cases of failure to identify a "benefactor."

Any FCC action along this line would be a novelty. Only a dozen or so licenses have ever been revoked, and all for cases of equipment failure or for false information in applications. It was criticism of FCC's licensing practices that started the TV investigation two years ago.

Last week the commission issued a "show cause" order against radio station WGMA in Hollywood, Fla., suggesting that the "character qualifications" of one of its owners justified revocation of the license. WGMA is jointly owned by Daniel Enright and Jack Barry, producers of the 21 and Tic Tac Dough quiz shows. Testimony before a House committee implicated Enright in the fixing of these shows.

- **Definition Wanted**—FCC's payola order requires stations to list within 30 days any "service, money, or any other valuable consideration . . . paid directly or indirectly" to get mention on the air. The Communications Act requires that any advertisement be identified as such. It appears that FCC is treating a plug for a book, for example, as an ad if any compensation was involved. But what about a bottle of whiskey at Christmas time? Or a free copy of the book itself? And how about the average of 150 free records that a station receives each week?

The National Assn. of Broadcasters is asking FCC to be a little more specific about what constitutes the banned kind of plug, but stations and networks are pretty much resigned to doing their own interpreting.

II. Network Action

The two major networks, CBS and NBC, are moving fast to squelch under-

the-table payoffs before Congress gets back to the payola investigation. They are taking different tacks.

CBS laid out stiff rules, drawn by Joseph H. Ream, its new vice-president in charge of standards and practices. Under these rules, any prize-awarding show must pay for the prizes as part of its production cost; names of brand or manufacturer must not be stated orally and cannot be deliberately shown to viewers as merchandise is displayed.

NBC's rules are less stringent and specific. James Stabile, Ream's opposite number at NBC, simply bans any cash deal where a show is paid to display a product. He says it's still permissible for a show to mention a product's name in return for merchandise to be used as prizes.

- **Hurts Business**—Vigorous enforcement of these new rules could blight the thriving business of merchandise brokers who provide the prizes for giveaway and game-type shows. It would also hit the Hollywood-type plug masters, who make a career of getting products, shows, or services mentioned in TV and radio scripts—for a price.

It could have an effect, too, on network budgets. "If they are serious," an agent said, "the production cost of these giveaways is going to skyrocket."

Ream of CBS concedes that the Art Linkletter House Party, for example, will be hit hard by the new policy. Airlines are specifically banned from mention, yet it's for a credit line that they furnish the transportation for the program's guests. Ream says CBS acted because so-called free plugs are impossible to police and "warp programming judgment" when they are written into a script.

III. Bad Commercials

FTC is also cracking down harder on advertising. It called a conference of radio-TV executives to hear them promise that cleanups will extend to commercials. It also took more direct actions:

- It has charged Colgate-Palmolive with deceptive claims for a tooth-paste ingredient it calls Gardol. Earlier, Libby-Owens-Ford Glass Co., along with General Motors, were charged with camera trickery in comparing distortion in different kinds of auto window glass. Other sponsors caught in FTC's charges: Max Factor for hair spray, Continental Wax for floor wax, Hutchinson Chemical for auto wax, Adell Chemical for cleaning fluid, and Helene Curtis for shampoo.

- **FTC Commissioner Earl W. Kintner** also announced he would ask Congress to appropriate more money for policing all advertising—now a \$2.5-million item in FTC's \$7-million budget.



SAME DAY coverage let TV watchers in U.S. last Sunday night see Pres. Eisenhower driving through St. Peter's Square to Vatican (above). Picture was made that morning by CBS mobile tape unit (right).



TV's Splurge on Eisenhower Trip

Pres. Eisenhower touched down in Rome at 12:16 p.m. last Friday on the first leg of his 11-nation tour—6:16 a.m. New York time.

At 10 a.m. NBC had the first U.S. television coverage of his arrival—a rather blurry 44-second film shot transmitted by the BBC Slowscan system over the undersea telephone cable to Montreal, and then by coaxial cable to New York.

At 6:45 p.m. Friday, on their respective news programs at that hour, NBC had a little on film, CBS and ABC somewhat more—CBS on film and ABC on videotape.

Weekend newscasts and the NBC and CBS special broadcasts Monday night had more leeway in time and a welter of tape and film shots to select.

• **Acrobatics**—A lot of technical acrobatics was necessary to accomplish this, and each network says it's putting more men and money into covering the President's trip than went into covering Queen Elizabeth's coronation (BW—Jun. 6 '53, p. 28) and previous Eisenhower-Nixon-Khrushchev tours. (Among other things, it's a good way to persuade the public that TV is good for something besides suborning quiz contestants and disk jockeys.)

Basically, the problem is to shoot film or tape in Europe and fly it back to the U.S. as quickly as possible. The networks are duplicating coverage on both film and tape wherever they can. Tape is preferable because it can be used immediately, while film has to be developed.

• **All the Angles**—But tape units aren't

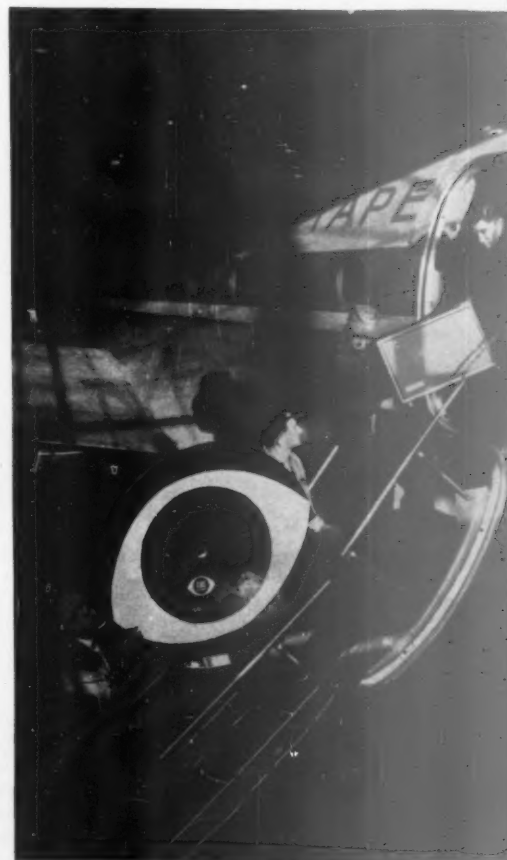
available in many of the places Eisenhower is visiting, and even Rome is precious hours farther away from New York than London or Paris.

That's why all three U.S. networks wanted to pick up Eurovision (European international TV grid) coverage of Eisenhower's Rome visit, which was piped live to London and Paris while it was happening. ABC made a tape and NBC a kinescope film at London Airport, and CBS taped the show in Paris, for quick flights to New York on commercial jets.

For broader coverage, CBS had a DC-4 rigged as a flying videotape studio by MVT Television of New York—which put American TV cameras right in St. Peter's Square.

For quicker coverage, NBC used the Slowscan technique to score beats not only on film from Rome, but later from Ankara. This beats a plane, but since it requires about 100 minutes to transmit one minute of film, it's used mostly for short news takes. Both CBS and NBC set up mobile studios at New York's Idlewild Airport so they could broadcast as soon as the jets came in.

• **Hair-Tearing**—Some headaches and hair-tearing attended the coverage of Eisenhower's arrival in Rome. ABC arranged to use the converter of Granada TV Network, an English commercial system, to shift from the British standard (25 pictures a second with 405 lines a picture, on 50-cycle current) to the American (30 pictures a second, 525 lines a picture, on 60-cycle current). It was set up at London Airport to pick up the Eurovision pic-



FLYING STUDIO—CBS videotape equipment went to Rome in DC-4 rigged as flying TV studio, here being loaded at New York Airport. It also covered New Delhi.



ROME: CBS' flying videotape unit brings CBS cameras right to Eisenhower's arrival spot at Ciampino Airport. Cameramen use soldiers carrying NATO flags to dramatize Paris correspondent's background telecast on NATO.



FLIGHT from London of Pan American's Boeing 707 was held up by ABC for 15 minutes in one effort to speed a tape—and this gave NBC courier time to get its film aboard.

ture, with the voice of the ABC commentator in Rome picked up simultaneously by telephone and combined with the video signal on tape.

The President was late arriving in Rome, which made the original difficulty of completing the tape in time to make the scheduled jet flight even harder. Yale Newman, ABC chief in London, succeeded in delaying one flight and holding up delivery of the tape to another beyond the airline's deadline. Both planes were late into New York, so there was some sweating on this end, too.

• **Sweat**—NBC suffered even more. It had intended to use a BBC converter to put the Eurovision coverage on tape, but the conversion unit wasn't ready, and NBC had to rely on kinescoping a regular BBC transmission from Rome for more complete coverage than the Slowsan could give. A kine film requires no conversion; but it must be developed like any other film, so NBC was at a disadvantage when it arrived in New York—on the same late-arriving plane as the ABC tape.

Even then it wasn't so complete as the ABC coverage, because BBC in-



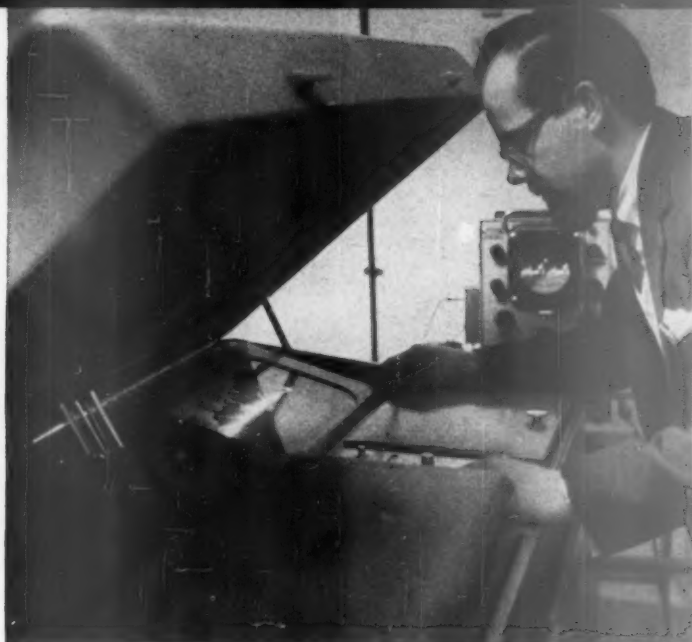
ARRIVAL: At Idlewild, CBS film is sped from cargo van to studio at airport; tape from Paris didn't arrive till later.

sisted on cutting off the President's arrival to put on a scheduled educational program. BBC interrupts a school program only for the death of a monarch.

In Paris, CBS was going through anxieties like ABC's. There, another British commercial TV net, Associated Television, had set up a converter for it to tape the live coverage. This was a second-thought arrangement; CBS had previously used the Granada converter to tape the Papal coronation and Eisenhower's visit to Britain, but this time ABC got to Granada first. The Paris flight, like the London planes,



LONDON: ABC news chief Yale Newman sweats it out. He's hoping to get Eisenhower on tape in time to make BOAC Comet flight (he barely made it).



LONDON: NBC made exclusive deal with BBC to put film shots on undersea telephone cable. BBC engineer watches monitor screen.



NEW YORK: CBS transmission unit in one van takes signals from videotape reader in another van, puts them directly on air. Technician is checking reception by phone.

was late getting into New York—so late, in fact, that for its first TV news coverage, CBS had to rely on a stand-by kinescope made in London.

• **Goal**—When the planes eventually arrived in New York Friday evening, ABC was able to rush a tape to its midtown studio in time for use on John Daly's 6:45 news program. CBS put its film on the Doug Edwards newscast from the temporary Idlewild studio at the same time. On the 6:45 Huntley-Brinkley show, NBC was able to use only an early film and the Slowsan spots which had run as network inter-

ruptions at 10 a.m. and 12 noon, but its late film was processed for an 11 p.m. news broadcast from Idlewild.

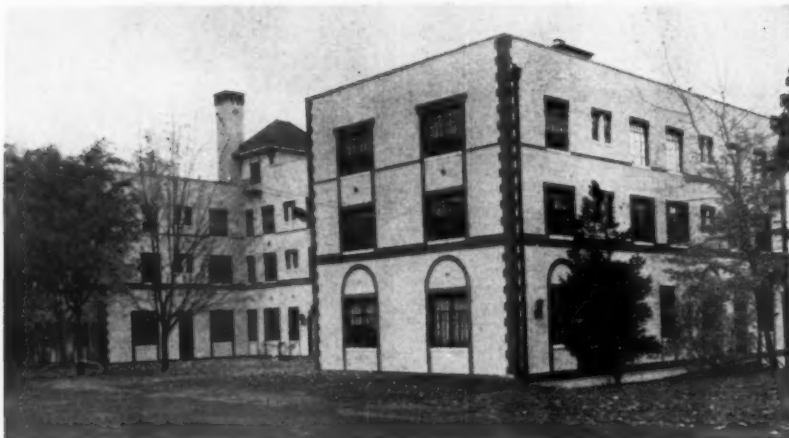
In Rome, where the events were actually taking place, there was less to worry about than in London and Paris, where the technical work was being done. Only the rain dampened the cameramen's enthusiasm. CBS did have one problem: It wanted to set up a TV camera on a balcony that was blocked by a furniture store's neon sign. The storeowner didn't want to pull it down—until CBS agreed to pay him more than the sign originally cost.



NEW YORK: NBC in TWA hangar at Idlewild is convenient for courier motorcycle between studio and airplane.



CABLE TV pictures sent by BBC Slowsan system to NBC were fuzzy, but fast.



JERSEY STANDARD has set up alternate headquarters in case New York is H-bombed.

When Industry Dives for Shelter

If hydrogen bombs ever threaten to start falling on its New York offices, Standard Oil Co. (New Jersey) expects to spirit away 65 key executives to a safe and snug alternate headquarters in the country (picture). Esso's elaborate plans were a highlight of a symposium on preparedness for industrial disaster sponsored by the National Assn. of Manufacturers at its annual meeting in New York last week.

Other reports at the meeting showed that despite a great deal of apathy over what can be done about atomic attack, companies all over the country are cooking up some sort of plans.

Leo A. Hoegh, director of the Office of Civil & Defense Mobilization, says hopefully that industry is finally waking up to the fact that something can be done to cope with the destruction of even an all-out atomic war.

Up to now, it is generally the larger companies that have been following OCDM suggestions and developing survival plans of their own. But smaller companies are starting to act, too.

• **Hint to Suppliers**—As for Esso, last week it showed its emergency facilities—some 30 miles out of New York—to 43 of its major suppliers. The idea was to get the suppliers interested in similar programs of their own. For Esso figures that even if it survived an attack, it would be badly handicapped if its suppliers had been knocked out. Hoegh feels that industrial preparation for survival, recovery, and restoration of production may even be a deterrent to war.

The Esso emergency setup—often cited by OCDM as a prize example—is designed to preserve a management team. The executives who reach the headquarters—a converted convalescent home—will sit out the attack behind reinforced concrete, eat canned rations, and hope that a special water spray

system will wash the fallout off the roof.

If all goes according to plan, when they can finally stick their heads up they will have a vault of microfilmed records and communications to link them to what is left of the nation.

• **Saving Records**—Most company survival plans are less elaborate. Usually, they involve protection of documents. The Chase Manhattan Bank has rented an old factory 55 miles outside New York to keep microfilm records. In a recent test, a team of clerks went to the storage building and, with only the records and special instruction manuals, reconstructed the books of a "bombed out" branch bank to within \$100.

OCDM says there's a growing list of companies with this sort of remote record protection. Film and paper records have been hidden in limestone caves in Ohio, in abandoned coal mines in Pennsylvania, and even in old bank vaults in small towns.

• **Reticence**—Esso and other companies such as AT&T and Jones & Laughlin Steel will talk freely about their survival plans, but other big outfits hesitate to admit they have done anything. Some say the whole matter falls in the area of competitive secrets, or that they fear sabotage. Others are simply afraid they will be called crackpots.

One company has set up a real cloak and dagger system. It rented an apartment in a Kentucky hill town and hired a couple to live in it and set up an alternate headquarters by smuggling microfilm records and radio gear, unbeknownst to even the neighbors.

An Ohio executive whose company won't admit officially that it has an elaborate shelter gives a novel reason for the secrecy. Seems the company is afraid that in a real attack every one would bolt for the shelter and leave no room for the executives.

Drug Profits

Kefauver's committee opens probe into "administered pricing" of new drugs, runs into debate at the start.

The "wonder drug" industry—one of the whirlwind successes of the postwar world—was put on the Congressional griddle this week.

Sen. Estes Kefauver's anti-monopoly committee is poking into charges that some of the biggest names in the business are colluding to restrict competition and keep prices high.

The unspoken but universally recognized issue: The big drug companies are dealing with a consumer who can't shop on a price basis but has to buy the brand prescribed by his doctor.

The industry's answer: There is no collusion. But prices on a successful product must be high enough to finance the vast research that has yielded hundreds of phenomenal new drugs in the last few years.

• **Front-Page News**—With drugs, Sen Kefauver's committee is on a subject assured of making Page One. His previous probes of "administered prices"—in steel, autos, and bread—attracted little attention outside business and economic circles. But the consumer who shells out \$10 for a little bottle of pills is vitally concerned about how the price is determined between the factory and the prescription counter.

The pattern of the drug industry, the committee brought out, is one of quick, high profits. The industry as a whole in 1957 made a profit on net worth after taxes of 22% (next highest, industrial chemicals at 16%). Kefauver characterized 22% as "pretty high as a matter of public policy."

But industry spokesmen—the presidents of Schering Corp. and Merck & Co., Inc.—countered that the drug industry is one in which a successful product can become obsolete overnight.

• **Evidence**—The committee made its case on these figures:

• Schering buys Prednisolone, a new drug to relieve arthritis, in bulk form from Upjohn and bottles it. This costs 1.6¢ a tablet. Schering sells it to druggists for 17.9¢ a pill and suggests a retail price of 29.8¢.

• Merck makes Prednisone, a similar arthritis drug, and sells it to the druggists for 17.9¢ a pill.

The two company presidents, Francis C. Brown of Schering and John T. Connor of Merck, took sharp issue with the committee's cost estimates. Connor's own analysis pegs his markup on steroid compounds such as Prednisone at 334%. The companies have ex-

tensive quality control checks and promotion costs that are not reflected in the committee's cost figures he said.

Committee investigators then raised another point: Merck, Schering, and Upjohn all sell Prednisone-type pills to the druggist for \$17.19 per hundred tablets, but five smaller companies sell the same drug for prices ranging from \$4 to \$12.

Connor had a ready explanation for this disparity in prices. Drug companies, he said, are divided into three types: creators, who carry the burden of research; molecule manipulators, who also do research but get in on the last

phase of a product; and tailcoat riders, who just cash in on other people's research.

The committee intends to investigate other products one by one, including antibiotics, tranquilizers, vaccines, vitamins, and sulfa drugs. Privately, executives of the larger drug houses were lamenting that the industry was put on the defensive at the start by the probe into steroids, a field in which prices are generally still very high, rather than into, say, antibiotics. Prices of antibiotics have fallen sharply, and the industry's way of doing business would have been easier to justify publicly.

Democrats Plump for Spending

Advisory Council drafts 1960 campaign platform calling for greatly expanded programs but saying that no general tax increase will be needed.

This week, the leadership of the national Democratic Party, as differentiated from its Congressional leaders, laid down in rough outline a big-spending campaign platform for 1960.

The Democratic Advisory Council—whose members are 32 of the most influential Democrats and include all of the major Presidential aspirants but Sen. Lyndon B. Johnson—produced a 10,000-word document denouncing virtually everything the Republicans have done and failed to do.

Easy money is the key to a policy approach that the Democrats see as their hope for recapturing the White House. The evidence mounts that for the first time in this century, monetary policy will be one of the biggest issues in a Presidential election.

• **Dominant Voices**—The council's document brings together the views of Northern, Eastern, and Western influences that appear certain to dominate the Presidential nominating convention in July. It attains further importance because of the hand in its preparation taken by such men as Adlai E. Stevenson, Gov. Pat. Brown of California, and Sens. John F. Kennedy of Massachusetts, Hubert H. Humphrey of Minnesota, and Stuart Symington of Missouri—some one of whom could well be the Democratic candidate.

The council proposes sharp increases in federal spending for such things as space exploration, military armament, schools, hospitals, power dams, atomic power development, public housing, assistance for the unemployed, and urban renewal.

• **No Price Tag**—Deliberately, it puts no price tag on its spending proposals, but there is implicit admission that a Democratic Administration heeding the council's advice would bring the nation

to or near a \$100-billion budget in short order.

In the face of this, the council insists that no general tax increase should be needed. (It does, however, advocate, further rises—of unspecified amounts—in the Social Security tax to pay for higher monthly benefits to retired persons and to finance federal medical and surgical insurance for the aged.)

The council's approach to the overall economic picture bears the principal marks of Harvard Prof. John Kenneth Galbraith, chairman of the council's subcommittee on economic policy, and of Leon Keyserling, who was former Pres. Truman's chairman of the Council of Economic Advisers.

• **Tight Money Assailed**—The council blames Administration tight-money, high-interest policies for "economic stagnation" and assesses them as total failures in combatting inflation. The Democratic bigwigs refuse to consider inflation as a matter worthy of overriding concern, and say reversal of the Eisenhower monetary policy would be their "first step in restoration of a satisfactory growth rate."

The Democrats have in mind an annual economic growth rate on the order of 5% which, over the next five years, could yield "at least" \$15-billion more of public revenues per year.

The words "easy money" appear nowhere in the Democrats' language, but the intent is clear. A paper prepared at last weekend's conference in New York says that monetary and credit restraints should be exercised with great selectivity, so as not to push up interest rates across the board, and only "to curtail activities we need less of, without preventing the activities we need more of."

• **Pegged Bonds**—There is a strong sug-

gestion—though no explicit statement—that pegging the government bond market by having the Federal Reserve buy governments to force down interest rates would again be a favorite Democratic monetary device, as during the Truman Administration.

As an accompaniment to rising federal revenues from accelerated economic growth, the council proposes two other money-raising steps to help pay for expanded federal activity. First would be an intensive campaign to recover "several billions" a year in taxes on income that now goes unreported. Second would be closure of some tax "loopholes," among which the council cites three specifically—the depletion allowance on oil and gas wells, the special consideration for dividend income, and deductions for "extravagant" business expenditures.

• **Factor of Peace**—The council met as Pres. Eisenhower was just beginning his mission abroad—a mission that translates, in the political lexicon, into "peace."

In public, the Democrats tend to minimize the "peace issue" as a factor, or at least as a partisan factor, in the coming campaign; in private, they acknowledge that it may outweigh all others and that the Republicans have held and will hold the initiative.

The council had trouble preparing its "peace plank." Mainly because of a sharp division between Stevenson, the twice-beaten Presidential candidate of 1952-1956, who advocates flexibility in approaching the Russians, and Dean Acheson, Truman's Secretary of State, who wants a tough foreign policy.

A compromise, hardly pleasing to either side, accuses the Administration of accepting for the U. S. a role "second best" to Russia in space exploration, conventional military power, and the worldwide economic competition.

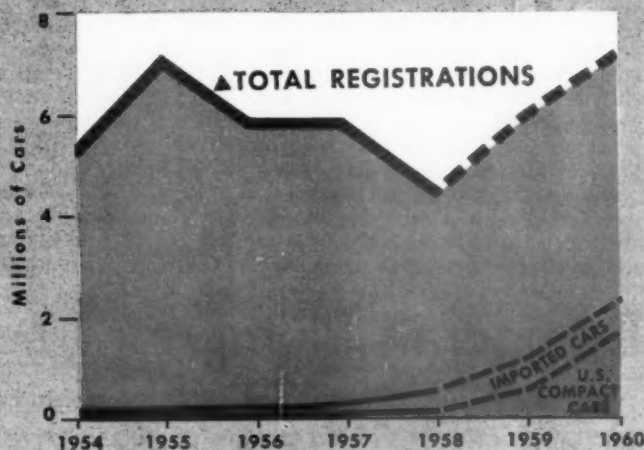
• **Something for the Boys**—With a bow in the direction of organized labor, the council denounces the Taft-Hartley Act and sides with the Steelworkers union in its current difficulty. It proposes appointment of a fact-finding board with power to recommend settlement terms in the steel dilemma. Further, the council urges Congress immediately to raise the minimum wage from \$1 to \$1.25.

For agriculture, the council advocates—in a section that is surprisingly weak and vague in the light of big Democratic hopes in the Midwest next year—more farmer control over production-regulating programs, plus federal subsidies—or, as the council calls them, "income supplements." But, with a nervous look toward the consuming cities, where costly farm price support programs are thought to be increasingly unpopular, the council at the same time insists that Democrats can reduce "the soaring costs of the agricultural program. . . ."

'60 THE SHAPE OF

One of a series of analyses
of key elements in next
year's business situation.

AUTO SALES



Data: Automotive News; American Motors Corp.; BUSINESS WEEK Estimates.

More Cars Than Ever Before

Looking ahead to 1960, any automobile industry executive can feel like a poker player holding an ace-high straight flush: He's just waiting for the money to roll in. Sales of new cars in 1960, could very easily be the highest in history.

The cars won't all be made in U.S. plants. Detroit still has to contend with the foreign invasion. Even so, sales next year should run as high as 7,250,000 new cars, should include about 6,750,000 U.S.-made autos—which would be a figure exceeded only once before, in 1955 (7,111,000).

Just three months ago, when they were preparing their new models for introduction, auto industry officials forecast a 1960 market for about 6.9-million cars—6.4-million domestic and the rest imported. That was before two of the biggest makers—General Motors and Chrysler—ran out of steel and had to close their plants. The upward revision of the expected 1960 market is due partly to the belief that some of this year's new-car purchases have been deferred into next year because of lack of supply and partly to the good reception of the 1960 models.

• **Impact of Compacts**—The reception of the new smaller cars from GM, Ford, and Chrysler has a lot to do with the brighter look of the 1960 market. A few months ago, 1960 sales of compact and imported cars combined were estimated on the low side at around 1.7-million, and on the high side at 2.2-million. Now judging from the initial impact of the U.S. compact cars, 2-million sales next year seems con-

servative, with a couple hundred thousand more not at all beyond reason.

• **Lurking Threats**—That bright outlook for the auto industry in 1960 doesn't, of course, take into account the things that can go wrong. A resumption of the steel strike in late January would mean a virtual end to car production within two weeks or so; only Ford, producing about one-half of its own steel requirements, might be able to limp along. A railroad strike would interfere with auto production and, if it continued for a long time, would shut down the plants.

Those are two very real threats to an excellent auto year. There are two other possible disruptions that auto men mention. One is war, or any military action in which the U.S. engaged to such a point it would have to put Detroit back to making armament. The national elections next year might exert some effect on business—but auto men don't pretend to know what kind of an effect.

I. Big Sales for Small Cars

You don't have to share an auto executive's optimism to see that the industry has everything going for it next year. The general economy will be on the upcurve, personal income will be high, that amorphous thing called "consumer confidence" should be strong. Those same factors are true for all business, of course; but to them the auto industry has added its own fillip—new models in greater variety than has been known for years, with more to come.

The Big Three "compact cars"—Ford's

Falcon, Chevrolet's Corvair, and Chrysler's Valiant—have added zest to the entire market. For the few weeks the industry had a chance to probe customer acceptance before steel got short, even the standard-size cars were moving well.

• **Early Success**—And the smaller cars really took off. American Motors' Rambler and Studebaker-Packard's Lark got off to a better start this fall than they did a year ago. Despite the shortage of Corvairs and Valiants (Chevy went out of production early in November after producing 57,000 Corvairs, and fewer than 9,000 Valiants have been made) the five compact cars accounted for about 25% of November sales.

Even so, no one feels that there has yet been a true test of the market for these smaller U.S. cars. Such a test probably will not come until spring—provided there is no further interruption in the steel supply. There is a waiting list for Corvairs, Valiants, and even Falcons, although Ford has produced around 72,000 of its economy vehicles.

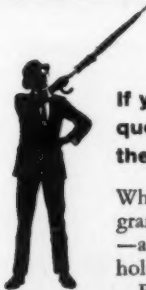
The Big Three compact cars are going for full list price, too. Some AMC dealers, with a better supply of cars, and a greater margin on the Rambler (a dealer discount of 25% rather than 20%) are trading high enough to bring their prices down to the Falcon-Corvair-Valiant range.

Big Three dealers—at least some of them under orders—are granting no discounts or large allowances. When and if cars become freely available, prices may soften, but not materially;

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	YES	NO
1. Are your operations correctly classified for lowest-cost applicable ratings?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are you sure your net costs are as low as possible?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are your claims handled promptly and fairly?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you benefit from Safety Engineering in your program for controlling costly accidents?	<input type="checkbox"/>	<input type="checkbox"/>
5. Have you received help in controlling toxic fumes, gases and dust?	<input type="checkbox"/>	<input type="checkbox"/>
6. Has your insurance company a nation-wide program to rehabilitate injured workers?	<input type="checkbox"/>	<input type="checkbox"/>
7. Has your insurance company helped you set up an in-plant medical program?	<input type="checkbox"/>	<input type="checkbox"/>
8. Does your insurance company provide safety education material?	<input type="checkbox"/>	<input type="checkbox"/>
9. Do your adjusted rates compare favorably with the average for the industry?	<input type="checkbox"/>	<input type="checkbox"/>
10. Are all your other exposures to loss adequately covered?	<input type="checkbox"/>	<input type="checkbox"/>



If you can't answer "yes" to all 10 questions you could profit by seeing the friendly AM man

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demand should be brisk at least until summer.

• **High Tide for Imports**—The favorable outlook for sales of U.S.-made smaller cars could mean that the imported makes have reached high tide in 1959 in selling about 600,000. U.S. representatives of the most popular foreign cars—Volkswagen, Renault, Fiat, British Ford, Simca—predict an even better market in this country in 1960. If they are right, the less popular imports are going to be in a great squeeze. Detroit people think total sales of imports next year will drop by a good 100,000.

Sales of all cars this year, 1959, should total about 6.1-million, with about 5.5-million coming from U.S. factories. To hit the 1960 projection of more than 7.2-million sales, U.S. auto plants are going to have to turn in some fancy output scores. If they don't, and if the demand for new cars is really as strong as it looks, the sales of imports could bounce right back up where they are now.

II. No Capacity Problem

But there's no reason to think the U.S. factories can't meet any kind of a demand. It is doubtful that anyone really knows the absolute capacity of the auto industry. Working two shifts, five days a week, the plants probably could do over 8-million cars easily—when prepared for that kind of volume.

The only time in recent years that the industry's capacity was tested was in 1955, when 7,921,000 cars were produced. Auto officials now are pointing out that it wasn't a very good test. The buying rush was on before the auto companies knew what was happening and it didn't taper off in the summer as had been the previous experience. Consequently, the plants never caught up—until the 1956 models came out and the public turned away.

• **All Set**—This time the industry is ready. For one thing it has more efficient plants than it had in 1955. For another, it had organized its lines and programs to produce more than 1.9-million cars in the last quarter of 1959, and will reach only about 1.2-million. So it is hoping for 2,250,000 cars for the first quarter of 1960—if it and its suppliers can get sufficient steel for that volume.

The auto plants will be ready by the first of the year to run all-out. Chrysler and GM reopened some of their plants this week and within two weeks all should be operating. But they will be using steel as fast as they get it and will not be able to build a stockpile.

• **Inventory Picture**—Normally, the auto industry turns a year with more than 500,000 cars in dealers' hands (although dealer inventories were down

to less than 400,000 as 1955 began). In a good sales year, that number of cars is barely a month's supply, so when things look good the industry begins heavy building late in February to meet an expected spring surge in sales.

At the end of this year, dealers' stocks probably will not be much over 500,000, if that high. If there is a pent-up demand for new cars, which all of Detroit believes, sales of domestic cars alone for the first quarter should be nudging 1.7-million. Production of at least 2-million cars in the first three months would be needed to bring stocks to a comfortable level for the second-quarter sales peak.

However, to sell 6.7-million cars and end up 1960 with a 600,000 dealer inventory, the industry would need to build only 6.8-million cars total—provided it starts next year with 500,000 in the stores. So a 2.2-million first quarter could mean a rather sharp tapering off later in the year.

III. In All Varieties

There's one thing certain about the industry's production next year: It is going to be varied. The high spots of interest right now, of course, are the compact cars; yet the model selection in them is not too wide. Rambler, Lark, and Valiant offer station wagons; only Lark also has a convertible.

But after the first of the year, Falcon station wagons will appear. In late February or early March, Ford's Lincoln-Mercury Div. will introduce its 114-in.-wheelbase "luxury economy car," the Comet. Later in the year, probably during the summer, General Motors will be out with a compact car for sale by its Buick, Oldsmobile, and Pontiac dealers. Chrysler presumably will also have a compact car for dealers who handle its medium-priced lines. And, beginning next fall, American Motors will offer a Rambler convertible.

• **Hashed-Up Timetable**—If the market for compact and economy cars holds up as well as auto executives think it will, all the new smaller jobs will be rushed to market as quickly as possible. That could mean a hashed-up 1961 model introductory season with some makes appearing in July or August and others not showing until October.

But there's one quirk in the planning for next fall. The industry has its national auto show (the first since 1956) scheduled for Detroit's new Exhibits Hall on Oct. 15. This can be read two ways: that some choice models will be saved for introduction at the show—to draw crowds to the manufacturers' displays; or that all the cars will be publicized, even if not put on sale, before the show opens so that the initial announcements will not be overshadowed by the show.

First State . . .

. . . to help lower-income families buy houses is Pennsylvania, with a new public lending authority.

The state of Pennsylvania is going into the lending business to help lower-income families buy homes on mortgages that private lenders don't want.

Gov. David Lawrence last week signed a law setting up the Pennsylvania Housing Agency. Next month, the legislature will be asked to appropriate \$2-million to get it under way.

Sponsored by two Democratic state senators from Philadelphia, Charles R. Weiner and Anthony Di Silvestro, the law is a consequence of tight money. When interest rates are high, lending institutions lose their appetite for the mortgages guaranteed by the Federal Housing Administration at the ceiling rate of 5½%. Many families may be able to afford conventional mortgages at higher rates. But lower-income people are squeezed out.

• **Pioneer**—In lending a hand to these families, Pennsylvania is taking a unique step. New York state this year began to lend state money in combination with private funds for apartments for people in a similar fix. But Pennsylvania is addressing itself to houses.

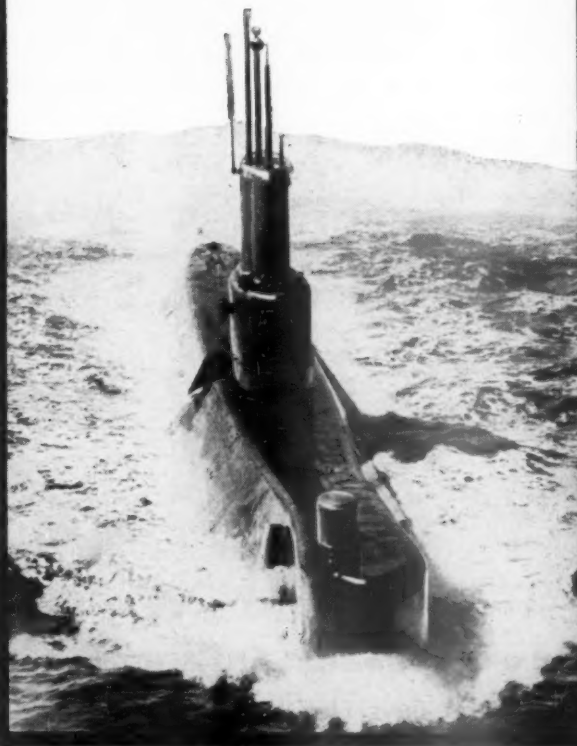
PHA will deal directly with home buyers and FHA. It will base its terms on buyers' incomes. (The law sets a ceiling—"highest annual income level in the middle third" of non-farm families—but no floor. Estimated range: \$4,800 to \$7,000.) And it will take mortgages only if FHA agrees to insure them. It may service the mortgages or contract to have it done. Every few years, the agency would adjust mortgage terms upward or downward if income changes warrant it.

• **Borrowing for Less**—The hope is that PHA would make mortgages at an interest rate 1% below FHA's maximum. It would be able to do that because it would obtain its money by selling tax-exempt bonds to private investors. Able in theory to borrow its money for less than private lending institutions, it would be able to lend for less.

Pennsylvania wanted to make PHA bonds attractive by stipulating that PHA would buy only FHA-insured mortgages. Proposals for a similar self-financing authority in New York omitted that stipulation.

The Pennsylvania law's sponsors figure 100,000 more families could buy homes if monthly payments are reduced only by \$10. The reduced debt service would persuade FHA to consider more families as eligible purchasers, they say.

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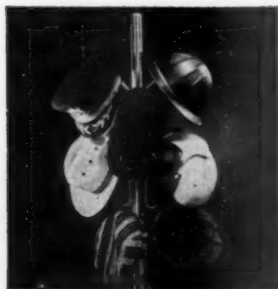
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In Business

• • •

Ford Looks Like Sure Winner Over Chevy in Auto Sales Race

It's a fair bet that Ford will win Detroit's annual auto sales sweepstake—by a long nose. Ability to feed out 1960 models during the steel strike has enabled Ford to overtake Chevrolet, which led for most of the year.

As of last week, Ford seems to have retailed 1,375,000 cars in 1959; that's maybe 20,000 more than Chevy.

By yearend, Ford production should have totaled 1,525,000, more than 100,000 ahead of Chevy.

Third place in sales looks like a tossup between Plymouth, Pontiac, and Rambler; Plymouth has the lead in production but either of the others could move ahead in retail sales or registrations.

GM Begins Replacing Directors

General Motors this week began restocking its board of directors, depleted by the resignation of five du Pont directors in the wake of a federal court ruling that the two companies sever, or loosen, their ties (BW—Apr. 18 '59, p142). The new director is Lloyd D. Brace, chairman of the First National Bank of Boston. Brace goes on the finance committee, on which three of the departed du Pont men sat.

• • •

Peace River Power Will Go Ahead With Largest Hydroelectric Project

Peace River Power Development Co. last week decided to go ahead with the world's largest hydroelectric power station, with a capacity of 3,145,000 kw. and an expected cost of \$610-million.

By yearend, the company will formally apply to the British Columbia provincial government for the right to store and use Peace River water. Consent is considered certain. Wenner-Gren B. C. Development Co. (BW—Mar. 16 '57, p61) has majority control of Peace River Power, but a proposed public stock issue would dilute its control.

• • •

Plant Shutdown During Contract Talks Is Illegal "Lockout," High Court Holds

Shutting down a plant during contract negotiations is an illegal "lockout." That was established this week when the Supreme Court refused to hear an appeal on a lower court ruling against the shutdown.

When a contract between Quaker State Oil Refining Corp. and the Oil Workers ran out without a new agreement, Quaker State closed its Emlenton (Pa.) refinery. The union filed lockout charges with the National Labor

Relations Board. The NLRB and then the federal courts ruled for the union.

In other actions:

- The Supreme Court accepted a test case—the second of its kind on the docket—that may draft more definite guidelines for federal judges handling suits to compel the arbitration of contract grievances. The new case involves a lower court ruling against United Steelworkers' efforts to compel Warrior & Gulf Navigation Co., a barge-operating subsidiary of U.S. Steel Corp., to arbitrate a union grievance over the contracting of repair work to outside employers.

- The High Court turned down two Teamsters appeals against NLRB orders in secondary boycott cases pre-dating the new, tighter Landrum-Griffin Act.

• • •

Prices of Power Transformers Ride Off in All Directions

Power transformer prices seem to be riding off in all directions. General Electric Co. last week announced the second cut, of about 9%, in just over two months—shortly after Westinghouse Electric said that after Dec. 1 it would quote on a basis more than 10% higher than prices "recently obtained." Both GE moves affected its published list prices, which trade sources say have been academic for months.

Allis-Chalmers announced its prices would be competitive. Westinghouse, which at midweek had taken no action, said that it didn't know what the GE impact would be, but that as a practical matter it would be competitive.

• • •

Ludwig Buys Florida Swamp

Word leaked out this week that Daniel K. Ludwig, the publicity-shunning tanker king (BW—Mar. 16 '57, p105), has bought up 18,000 acres of mangrove swamp south of Miami for a reported \$5-million.

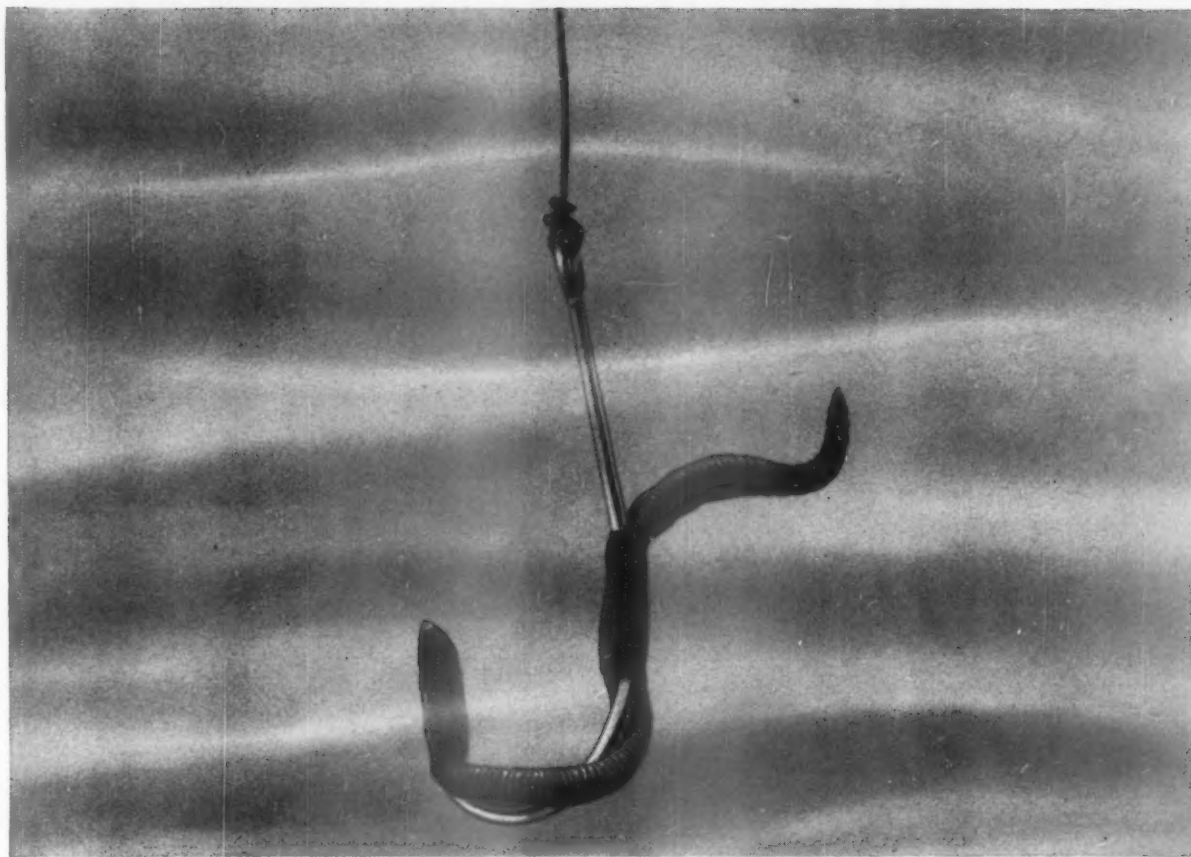
Ludwig won't talk, but the guessing is that he has long-term plans for a residential-resort-industrial community. It would be quite a job. The land is so low that it would have to be filled—at a rule-of-thumb cost of \$1,000 to raise one acre one foot.

• • •

Chance Vought Tries House Trailers

Chance Vought Aircraft, Inc., this week moved into the making of mobile homes as one more step in its diversification away from precarious missile and aircraft work for the government (BW—Aug. 1 '59, p70).

The company set up a subsidiary, Vought Industries, which bought General Coach Works, of Marlette, Mich., and ABC Coach Co., of Clarion, Pa. Chance Vought says these deals, plus an agreement to buy Mid-States Corp., of Battle Creek, will make it the leading U. S. maker of house trailers, with annual sales around \$6-million.



Machine Tool Buyers:

Beware the fallacy of the "PAYOFF PERIOD" concept

The basic flaw in the "Payoff Period" approach, commonly used in making decisions on the replacement of capital equipment, is that, when used, there *is* no payoff.

The arbitrary selection of a payoff period can be little short of absurd, as is shown by the following example.

Hypothesis

- (1) Management objective—2 year Payoff
- (2) Cost of New Equipment—\$20,000
- (3) Annual Savings Now—\$5,000
- (4) Projected Rise in Savings Each Year—\$500

Decision

Postpone replacement for 10 years, when investment signal will come up.

Result

Avoidable costs incurred by postponement—\$72,500

Secondary Result

Projected cost of equipment in 10 years—\$35,260. Postpone replacement for approximately 15 more years. *Ad Infinitum.*

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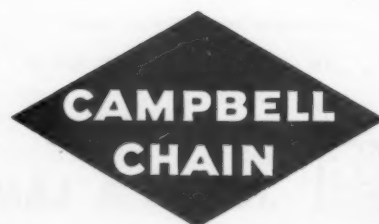


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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
DEC. 12, 1959



Needed by the Democrats: hard issues for the 1960 campaign. This is the overriding impression gained from the close-up observation of the big meeting of the Democratic Advisory Council (page 33).

The gamble on easy money and big spending as a winning combination for the party is something less than a matter of choice. High up in the party councils is the feeling that, in seven years as the "outs," Democrats have failed to generate either the personalities or the issues needed to assure once again becoming the "ins." Thus the turn to money and spending—something for everybody—in what amounts to a scattergun approach.

There are evident flaws in the strategy, and the more candid of the Democratic professionals acknowledge them in private. From a purely strategic viewpoint, as they see it, the greatest flaw is that the line will be hard to put across to the public.

In a period of booming prosperity, so this reasoning goes, the public is not apt to look with favor on big spending stepouts by Washington. It will not be comfortable either for the Democratic candidate to take a position that says merely, in effect, that the prosperity would be sounder, the boom bigger if Democrats were given charge of things.

The lack of one standout, exciting candidate is a matter of even more discomfiture to most Democrats. None of the present crop inspires much confidence among the professionals as a likely winner in 1960.

More and more, the odds favor Adlai Stevenson as the man upon whom the party will bestow its Presidential nomination—an honor which, most of the pros concede, hardly looks as valuable now as it did a year ago.

Sen. John F. Kennedy's campaign is at its peak, or has even turned downward, if the corridor talk among big-name Democrats means anything. Two other hopefuls from the Senate—Hubert Humphrey and Lyndon Johnson—seem unlikely to rise much above the rank of regional favorite sons. Sen. Stuart Symington's apparent main support is former Pres. Truman, whose influence as a manipulating force in a convention is doubtful since his unsuccessful advocacy of Averell Harriman for President in 1956.

Democrats have reappraised their Republican opposition.

Vice-Pres. Richard Nixon commands new respect as a potential foe. For a long time, most Democrats took the line that Nixon would be easiest to beat. You don't hear much of that talk anymore. One big reason is Nixon's identification with the Eisenhower peace offensive, the issue that appears to frighten Democrats most these days. The other is Gov. Nelson Rockefeller's failure to score heavily thus far outside of New York State.

—●—

The Administration prepares for another "battle of the budget."

Budget Director Maurice Stans goes on the offensive against the certain election year pressures for spending increases. In a series of speeches, he is jabbing at some of the costly legislative "sacred cows"—public housing, bigger veteran pensions, the maritime subsidies, high farm price supports. The Administration harbors no hope that it can persuade Congress to turn back on these. The strategy is to put Congress on the defensive, to head off any new turns of the spending crank.

This theme will dominate the series of Presidential messages going to

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
DEC. 12, 1959

Congress next month, starting with the State of the Union on Jan. 7 and carrying through to the economic report two weeks later. The budget goes to Capitol Hill in the interval between them.

Senate Democratic Leader Lyndon Johnson's recent speeches contain a hint of new trouble for the Administration—that he may give a little more comfort than in the past to his party's liberals who want to shove big money bills at the White House—less in hope of making legislation than in forcing vetoes and sharpening up some issues. As of now, the liberals read Johnson's speeches skeptically, wait to be shown. If Johnson means business, the budget battle of 1960 could turn into a real knockdown, dragout affair.

—•—

A new row about federal gasoline taxes is building up.

Congress will be asked to raise the levy another half-cent, on top of the two-year, 1¢-a-gal. rise it grudgingly voted late in the last session. The federal tax is now 4¢ a gal.

Key Democratic tax people in Congress say no more increases—but they were making the same kind of noises at the comparable time a year ago. In 1960, they may make their attitude stick, but there's one big reason to hedge any bets:

State governments are clamoring for more highway funds, to put the big interstate building program back on the original schedule which was thrown out of kilter by lack of funds to pay-as-you-build. This kind of pressure, arising from statehouse political organizations back home, is the toughest for Congress to resist. The Administration checks the problem entirely over to Congress. Pres. Eisenhower won't dip into the general revenue fund to supply more highway building money.

—•—

Negotiated settlement of the railroad labor dispute is improbable. The issue of work rules, or "featherbedding," is proving just as tough in rails as it is in steel. Carrier spokesmen, in private conversations, are taking the view that negotiated settlement can be ruled out.

The prospect: A Presidential fact-finding board to intervene and come up with recommendations for a settlement after the anticipated breakdown of negotiations early in 1960. The board's recommendations would not be binding in fact, but they would serve as the framework for final agreement. It is agreed that the White House will not, cannot, allow any rail strike to go on for more than a couple of days.

Without apparent success, both rail and union people are probing gingerly for clues to what apparently will become the most vital question: Who might the President appoint to such a fact-finding board?

—•—

A coal vs. oil dispute behind scenes caused the delay in announcement of oil import quotas for the first half of 1960. Overdue since the first of this month, the announcement has been snagged by coal's last-ditch effort to head off higher quotas for residual oil, mainly used as boiler fuel. Coal people moved in immediately with strong protests after Interior Secy. Fred Seaton's advance disclosure in late November that higher residual quotas could be expected. Electric utilities, particularly in the East, await the outcome with almost as much interest as oilmen.



THE ONES THAT WILL LAST (and last, and last!)? THOSE MADE OF WEIRKOTE® ZINC-COATED STEEL!

Laboratory salt-spray tests prove it. Leading manufacturers prove it. Experience proves it. Primary window frames and storm and screen frames of Weirkote zinc-coated steel last and last and last—literally shrug off the elements!

Weirkote will not give in to corrosion invasion because its zinc coat clings tightly to its steel surface year after year. Reason? Zinc and steel are actually integrated by Weirkote's continuous process.

This extra protection pays off when it comes to fabricating Weirkote, too. You can crimp it, twist it, torture it—work it to the limits of the steel itself—without chipping or flaking its surface. And this pays off in your pocketbook: No more costly rejects, and coating after fabrication can be eliminated.

Whether you're talking profit or product, there's a lot to be said for Weirkote zinc-coated steel. Write today for a free booklet that tells all about it. Weirton Steel Company, Dept. U-14, Weirton, West Virginia.

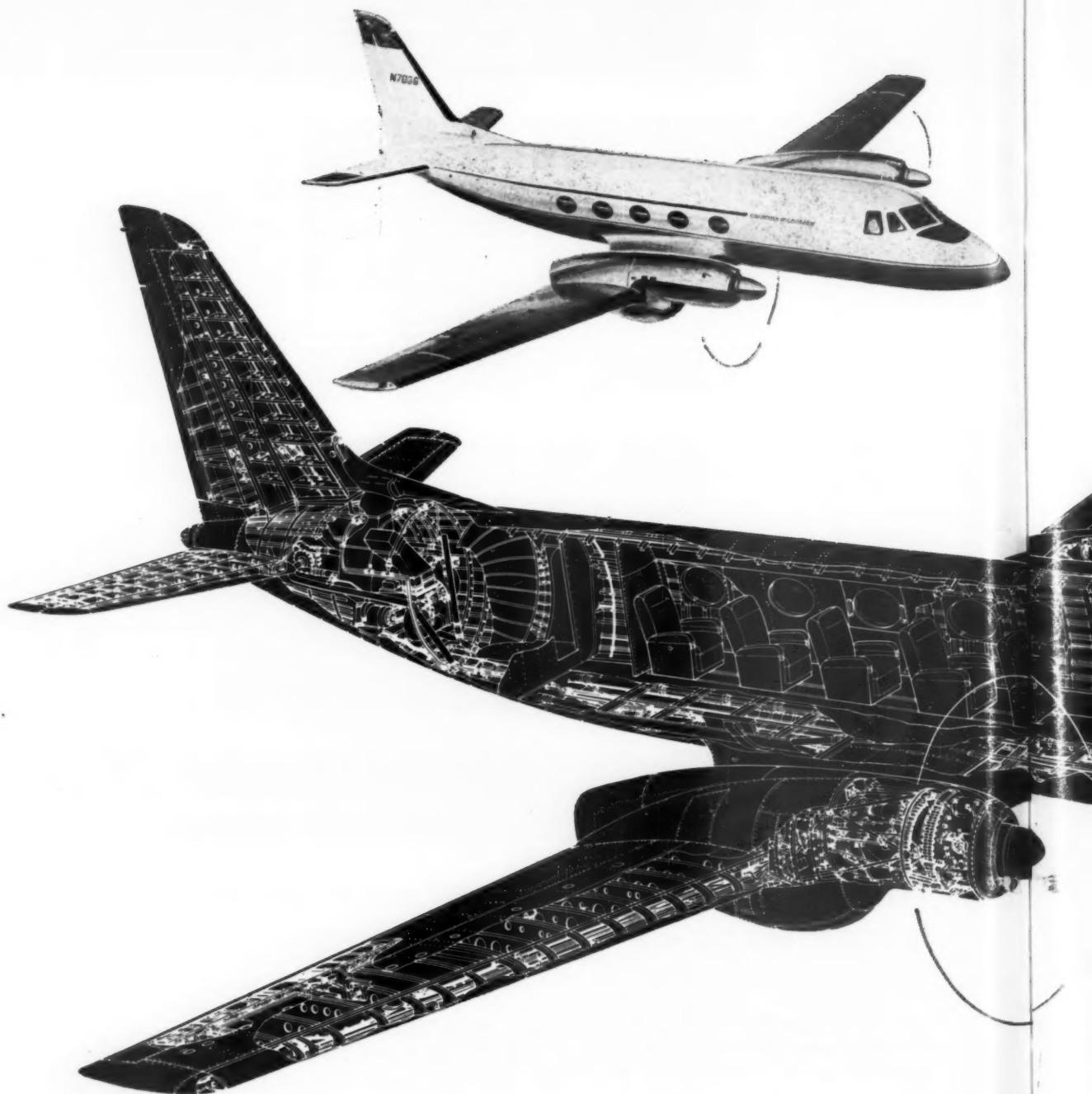


**WEIRTON STEEL
COMPANY**

WEIRTON, WEST VIRGINIA

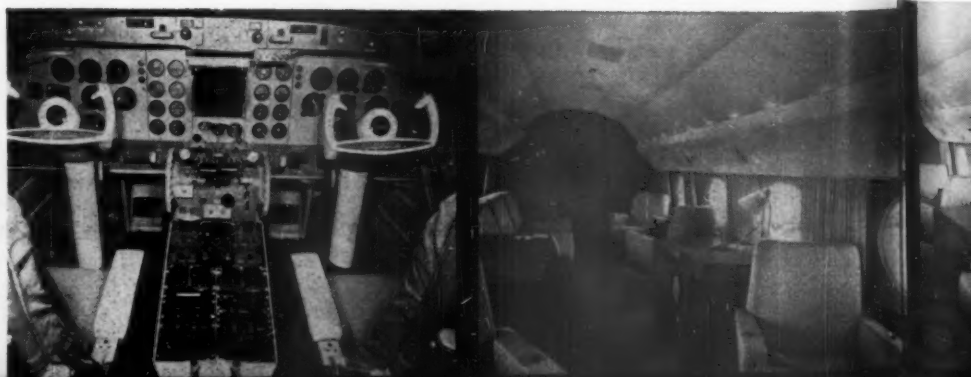
a division of

NATIONAL STEEL CORPORATION



YOU ARE INVITED to inspect the Gulfstream and arrange for demonstration flights through one of the following distributors: Atlantic Aviation, Wilmington, Delaware; Southwest Airmotive, Dallas, Texas; Pacific Airmotive, Burbank, California; Timmins Aviation, Montreal.

Instrumentation, including the most up-to-date and sophisticated communication, navigation and radio equipment, is custom built into the Gulfstream by these distributors. Custom cabin interiors are fitted to customer specifications. Illustration shows how one Gulfstream owner decorated the aircraft's interior.



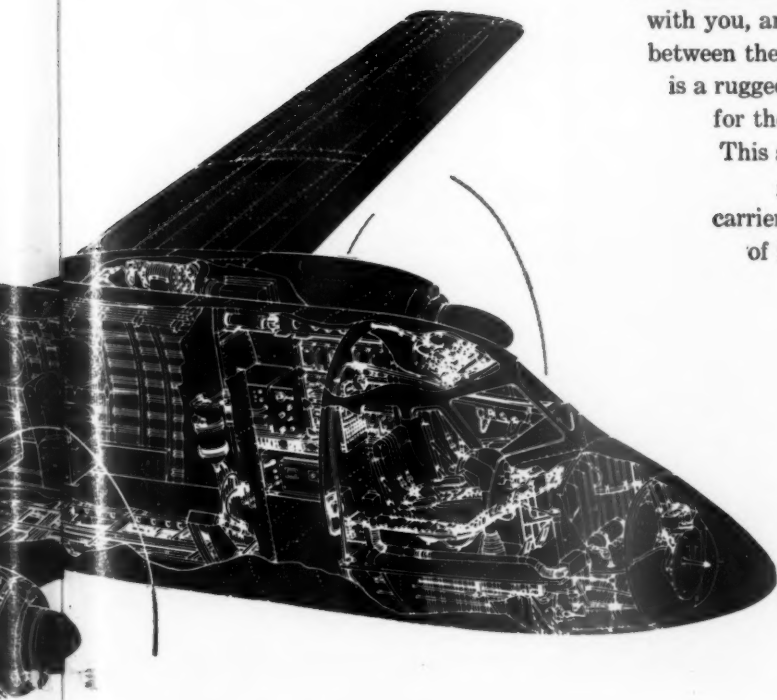
Beauty...is more than skin deep

The beauty of any business airplane must be weighed against its past. If it is a "re-do" of an older airplane, the structural stress and strain of years of operation may be invisible today, critical tomorrow. The business airplane must be qualified to meet the stringent licensing requirements demanded by today's—and tomorrow's—all-weather and high density traffic conditions.

A business airplane, like the Grumman Gulfstream, *starts new* with you, and has beauty more than skin deep. Sandwiched between the Gulfstream's clean exterior and custom interior is a rugged Grumman structure built to withstand fatigue for the equivalent of more than 50 years of operation.

This structure is based on the most recent knowledge gained from designing supersonic, and especially carrier-based aircraft, required to withstand the rigors of in-fleet service. Within the Gulfstream's nacelles are two Dart turbo-prop engines, their famous Rolls-Royce reliability proven by millions of airline flight hours.

When you select the Gulfstream you get an airplane, new from nose to tail, conceived and engineered by Grumman for today's business flying operations, in terms of performance, utility, reliability, and all-weather safety.



GRUMMAN

AIRCRAFT ENGINEERING CORPORATION

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MARKETING

A. C. Nielsen and the Things His Marketing Researchers Study



TV audience surveys



Radio audience surveys

His TV Rating Service Is Under Fire

Ask the man on the street what "Nielsen" means, and he'll tell you accurately enough that it's a TV rating. Yet the assessing of TV program audiences is only a small part, which happen to be highly publicized, of A. C. Nielsen Co.'s total operations (drawings above). These operations last year grossed \$26.8-million, making Nielsen easily the world's largest marketing research company.

Right now, the TV rating operation is under fire from two sides—from the public and from the clients:

- Senate investigators are reviving their inquiry into the reliability of ratings and their effect on programming. Pres. Robert Hurleigh of Mutual Broadcasting System said publicly that he expects the inquiry to show that some

ratings are rigged. Other critics are saying that exclusive attention to ratings is responsible for all they deplore in program quality.

- For the first time, Nielsen is faced with a serious competitive threat in the mechanical measurement of a national audience. While it was negotiating new contracts with the three TV networks for the 1960-62 season, the three networks signed contracts to get their national ratings from American Research Bureau. That seemed to leave Nielsen on the outside, since industry observers don't believe there's room for both companies in the mechanical measurement field.

- **Setback for ARB?**—Up to now, only Nielsen has offered mechanical measurement of a national sample; ARB

offers it in seven big cities. ARB's bid to the networks promised a national sample by next September, the start of the new program season, using its own measuring device, the Arbitron, in competition with Nielsen's Audimeter.

But expansion of ARB's sample to national coverage will be expensive, and the mechanizing of the survey adds to the cost. Thus, ARB needs solid patronage of the networks, advertisers, and advertising agencies before it can carry out the project. A Columbia Broadcasting System spokesman said that if any one of the networks dropped out, ARB's national project would go back on the shelf.

This week, things took a sharp turn. American Broadcasting Co. signed up with Nielsen for its national rating



Retail sales studies



Magazine readership surveys

Market studies abroad



Special research



Market testing

Hammond

Fire From Congress and Rivals

service. At midweek, ABC hadn't announced cancellation of its ARB contract, but no one seriously expects the network to purchase both rating services.

• **Different Position**—All along, American Broadcasting was considered the one network that was likely to jump ARB's ship once it had got what it wanted in bargaining with Nielsen. With the smallest billings of the three networks, ABC would incur the greatest additional cost in going from Nielsen's billing formula, which is based partly on network sales, to ARB's flat rate for each network.

ARB plans to charge each network \$180,000 a year. Nielsen's charges, on a sliding scale with American Broadcasting paying much the least, add up

to about \$640,000 for the three networks this year.

American Broadcasting may also have been putting pressure on Nielsen in negotiations because Nielsen had planned to drop its Program Service Basis for ratings. This is a way of measuring audiences in relation to the potential maximum that a given lineup of stations can reach; the national rating measures program audiences in relation to a national potential. With fewer stations, leaving parts of the country uncovered, ABC shows up better on the Program Service Basis, sometimes outsourcing National Broadcasting Co. in selected viewing areas.

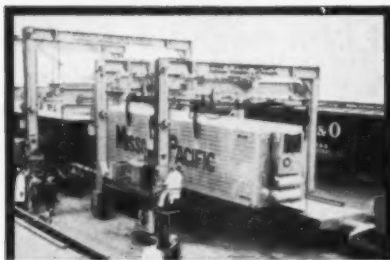
• **Bargaining Point**—The least that ARB's challenge means to Nielsen is that it provides the networks with a

bargaining point in negotiations for new contracts. At worst, if Nielsen has to come down on its prices in order to retain business, its losses on the broadcasting rating services could be more serious.

Nielsen says it has accumulated \$13-million in losses on broadcast measurement since the service started, before TV. Last fiscal year alone, it lost \$81,000 on the Broadcast Div.

And it's not just a question of who signs up the networks. Advertisers and agencies also contract for the rating services, and many have said they wouldn't go along with a situation in which some were talking Nielsen language and others were talking ARB.

• **Need for Ratings**—Ever since the infancy of advertising, some outside veri-



First "switching - engine"
of the trucking industry!

Travelift

Self - Propelled ...
Hydraulically - Operated

VERTICAL LIFT CARRIER

Steering, lifting and propulsion of the
Travelift are by hydraulics.

Travelift eliminates use of highway tractor and trailer chassis for movement and storage of containers in terminal holding areas ... leaves rolling stock free for over the road use. Also straddles flat bed railroad cars for piggy-back operations. Sideloads the trailer laterally at any point along the length of the train. Turning radius is short — maneuverability excellent. Requires only one man to operate.

Available in 17 models with rated capacities up to 100,000 lbs., or can be custom built to meet your requirements. Write for further information.



Also used for
handling ...

**BOATS ... TANKS
CONCRETE PRODUCTS
PIPES ... WIRE CLOTH**
Many other heavy materials

TRAVELIFT & ENGINEERING, INC.

Dept. BW
Sturgeon Bay, Wisconsin

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Self-Propelled Travelift

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fication of circulation has been deemed necessary to advertisers, agencies, and even the sellers of advertising space. All these had equal need for protection against false claims of readership and against the chance of spending their dollars in the wrong place.

In the newspaper and magazine field, the Audit Bureau of Circulation was founded to serve as this impartial verifier of circulation claims. Its function is essentially that of auditing figures that can readily be ascertained—how many copies are sold by subscription, how many by newsstands, in some cases even who buys.

• **Radio's Problem**—When radio came along as a new advertising medium, advertisers soon began asking: Who's listening out there? Their question led to the establishment of the first audience rating services: Crossley, Hooper, and Nielsen.

The first problem they all faced was fundamental to the whole rating system: How do you find the audience? With publications, subscriptions implied a continuing audience, but ownership of a radio set had no such implication about listening to a given program. The set is merely the funnel through which any of several competing programs can be received.

The rating services realized that they had to find some way of pinning down the floating audience for each program. But most ways had pitfalls. Researchers soon found that people won't always keep accurate written records of what they listen to. And if you telephone them while programs are on the air, they have a tendency to lie a little in favor of the prestige programs they think they should be hearing instead of what they really are listening to. Some won't tell.

• **Nielsen's Sample**—In the 1930s, A. C. Nielsen felt he solved most of these problems with two innovations:

• First, through painstaking application of statistical methods, he established a national probability sample that, in miniature, reflected the total U.S. radio audience.

• Then he hooked up all radio sets in his sample homes to an unobtrusive mechanical recording device called the Audimeter. In its present refined form, the Audimeter records minute-by-minute listening and viewing for radio and television.

Nielsen anticipated objections that the listening habits of the sample families might be biased by the knowledge that their program choices were being recorded, also that the Audimeter failed to tell how many—if any—people were listening to a set that was tuned in.

He set up a control sample that mirrors the Audimeter sample as closely as possible, and he studied the listening habits of this sample by other methods,

such as diarying, partially verified by mechanical means. Nielsen claims today that studies of this yardstick sample show that only 2% of people tune in without really listening—which makes the Audimeter sample 98% reliable.

• **TV Measurement**—With refinements, Nielsen carried its Audimeter system over to TV audience measurement. Audimeters are installed on 1,200 TV sets in 1,050 homes—a sampling that represents about 44.5-million TV homes in the U.S.

Every two weeks, a film record of the set's operation pops out of the Audimeter in a mailable package, along with two 25¢ pieces to reward the family for inserting the next two-week cartridge. The cartridges go to the Nielsen headquarters at Evanston, Ill., where computers process the information contained on the film.

Every two weeks, the system provides the following information for every national network show:

• **Average audience**, derived by dividing a show's total listenership by the number of minutes the show is on.

• **Cumulative audience**—the total number of sets tuned in at some point during a given show.

• **Program Station Basis**, the total potential audience that has access to a given show. This takes into account the number of stations that carry the show.

• **Share of audience**—the percentage of viewers tuned to TV at a given time who are watching a given show.

(For the 24 TV markets where all three networks are in direct competition, an area covering 40% of all TV homes, Nielsen produces other ratings based on a faster Audimeter system giving results by quarter-hours six days after the close of a report week.)

Every two months, Nielsen also provides data on four-week cumulative audience, ratings by family characteristics and geographical distribution, minute-by-minute tune-in figures, and a cost per 1,000 viewers figure, reached by dividing program costs by audience size.

I. Room for Everyone

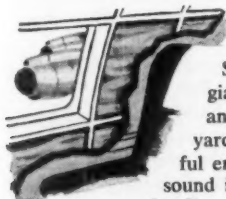
With such an awesome array of data, why hasn't Nielsen become the Audit Bureau of Broadcasting? The answer is that, while Nielsen hasn't had a direct competitor up to now in the mechanical measurement of a national sample, its three smaller rivals have been able to thrive on offering different services that are also in demand by the networks, agencies, and advertisers.

These competitors are American Research Bureau, The Pulse, Inc., and Trendex. The man in the street is as familiar with their names (or with



Hummed to sleep—at nearly 600 miles per hour!

Johns-Manville Fiber Glass insulations cut sound to a whisper... keep cabins warm, too!



Sit anywhere in a giant new jetliner and you're within yards of the powerful engines. Yet cabin sound is at the whisper level!

You're comfortable, too, with never a thought of subzero temperatures outside.

Here, in sound absorption and heat

control, are two ways J-M Fiber Glass insulations serve the aircraft industry.

There are J-M blanket-type insulations fabricated to manufacturers' specifications for between-frame or over-frame installations and available with a number of vapor barriers and interior trim facings. J-M Fiber Glass is also supplied as precision-molded panels for cabin interiors... designed for fast, simplified

installation, or removal for inspection.

Johns-Manville also produces top-quality Fiber Glass insulations for industrial and commercial construction, industrial and transportation equipment, appliances, and many other applications.

For information on J-M Fiber Glass or other J-M insulations—write to Johns-Manville, Dept. B-8, Box 14, N. Y. 16, N. Y. In Canada, Port Credit, Ontario.

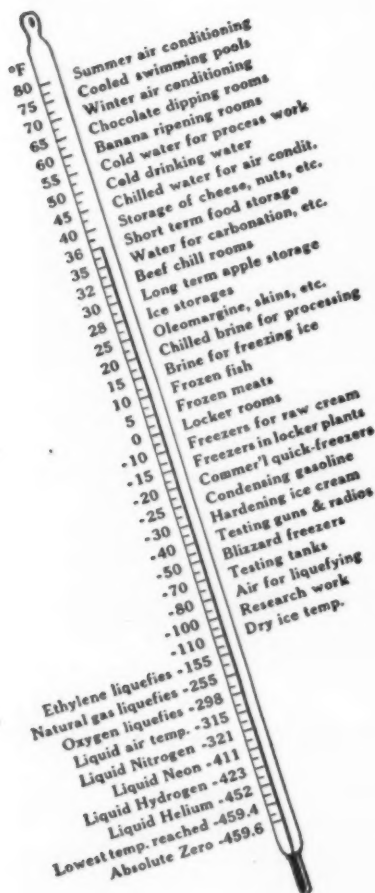
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Fiber Glass



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Frick Company designs and manufactures equipment engineered to your individual plant requirements.

IF YOU NEED ANY TYPE OF COMMERCIAL OR INDUSTRIAL COOLING . . . call your nearest Frick Branch or Distributor for recommendations and estimates.

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DEPENDABLE REFRIGERATION SINCE 1882
WAYNESBORO, PENNA., U.S.A.

the initials in the case of ARB) as he is with Nielsen, because their ratings are widely publicized by clients who like what they signify.

• **Different Findings**—And there's one big answer to why all four services find a market. They measure different audiences, analyze the results differently. Cynics have suggested that networks and agencies find it useful to have several ratings on hand in the office so they can cite the most favorable. Fees, except for Nielsen's national measure, are rather low.

ARB, Pulse, and Trendex built up their clientele with differing methods: diaries of viewing in sample homes, personal interviews, telephone interviews. These yielded results faster than Nielsen, since they didn't have to wait for a two-week Audimeter log to be completed. In the competitive circus of broadcasting, speed can sometimes be of prime importance.

These other services also provide information that Nielsen can get only by supplementary studies. They can ask how many members of the family are watching a show, and what proportion of adults and children. They can also probe for advertising impact. Trendex, for example, reports how many viewers correctly associate a sponsor with a show.

ARB provides national ratings based on diaries kept by a national sampling of families, and it also makes up local market ratings for seven of the largest cities. This information is collected instantaneously by its Arbitron hookup to sets in sample homes in the seven cities. ARB's proposal is an expansion of the Arbitron system nationally.

Nielsen also has instantaneous measurement through its Audimeter, but only in the New York metropolitan area, where it is hooked up to 228 homes with 280 sets.

• **Pick What You Like**—The differences in method naturally produce differences in results. One service, for example, consistently turns in higher ratings than the others for daytime shows. And the networks sporadically break into print with ads on rival claims of who outrates whom in the broadcast standings.

II. How Sound Are They?

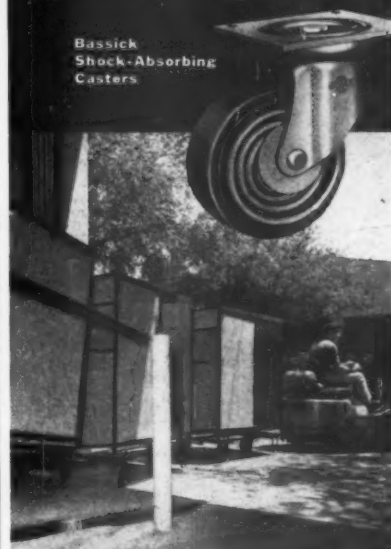
These wide variations in ratings are part of the fuss in Washington, though most senators interviewed by BUSINESS WEEK doubt that they prove ratings are rigged. The lawmakers appear to be more concerned over whether or not the tiny samples used by the rating services accurately reflect the viewing preferences of a nation, and over how heavily the advertisers and networks rely on such findings.

It's accepted in statistical science

Spread Out Plant Solves Handling Problem

Jantzen reports 98% reduction in caster replacement with Floating Hubs

Bassick Shock-Absorbing Casters



"Floating-Hub" casters on power-pulled truck trains got trial run 5 years ago—are still going strong at Jantzen Inc. Previous caster life: 6-8 months.

When Bassick shock absorbing, "Floating-Hub" casters replaced conventional casters on power-pulled truck trains moving between buildings at Jantzen Inc., makers of sportswear in Portland, Oregon, replacement problems stopped short.

Previous casters had to be replaced after 6 to 8 months. With "Floating-Hub" casters, now five years in service, only 3 out of over 160 have had to be replaced—and those for minor spindle wear. Wear and tear on trucks themselves is also greatly lessened.

You don't have to have a fragile or delicate product to put Bassick "Floating-Hubs" on your handling team. These shock-absorbing casters often more than pay for themselves by drastically reducing maintenance and replacement of casters, trucks, floors or roadways. And there are many other Bassick casters to keep industry moving—efficiently. THE BASSICK COMPANY, Bridgeport 5, Conn. In Canada: Belleville, Ont.



FIGURE 2 factors to get the cost of steel...

COST OF POSSESSION is part of your final cost!

When you keep a miscellaneous inventory of steel, you inflate your costs and tie up capital *uselessly*.

You can avoid this. Many smart cost-minded steel users are buying all or a major part of their steel needs from Steel Service Centers. They get stock cut-to-size and delivered promptly.

Couldn't this save you money too, by reducing the costs of storage, space, han-

dling, cutting, waste and obsolescence?

Next time you order steel, compare price plus cost of possession with what Service Center steel would cost you. For more information, get the booklet, *What's Your Real Cost of Possession for Steel?* from your nearby Steel Service Center. Or write Steel Service Center Institute, Inc., 540-B Terminal Tower, Cleveland 13, Ohio.

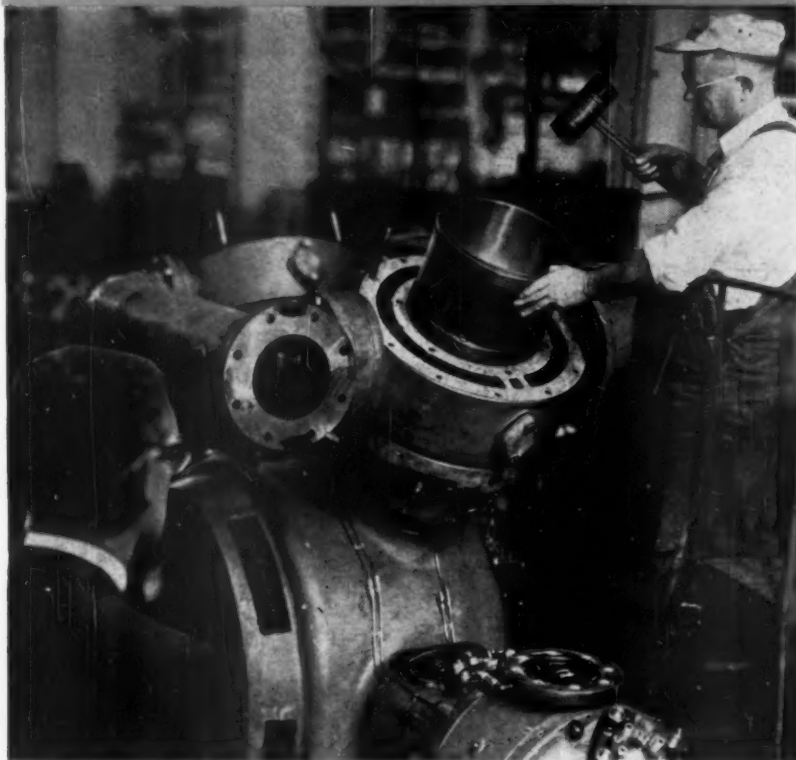


...YOUR STEEL SERVICE CENTER

COST OF POSSESSION FOR STEEL IN YOUR INVENTORY	
Per ton delivered	_____
Cost of capital:	_____
Inventory	_____
Space	_____
Equipment	_____
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Space	_____
Materials handling	_____
Cutting & burning	_____
Scrap & wastage	_____
Other costs:	_____
Obsolescence	_____
Insurance	_____
Taxes	_____
Accounting	_____
TOTAL	_____
COST OF FREEDOM-FROM-RISK STEEL FROM YOUR STEEL SERVICE CENTER	
Per ton, cut-to-size, and delivered	_____
TOTAL	_____

Now I see what they mean when they say,

JOY'S REPLACEABLE CYLINDER LINERS CUT COMPRESSOR MAINTENANCE COSTS



Joy's exclusive cylinder construction gives longer service life and cuts maintenance costs. Since the liner is cast and machined separately from the rest of the cylinder, the alloy used is selected for the specific properties which will increase its wear resistance. Machining and heat treating also are tailored to produce the best cylinder walls. This gives much better wearing quality than is possible with the conventional one-piece cylinder construction, which is a compromise. An added advantage of the Joy construction is the ability to replace the liner easily in the event that the walls are accidentally scored. The expense of reboring is eliminated, and the compressor is down for a much shorter period.

This replaceable cylinder liner construction is but one of the "plus values" engineered into every Joy compressor. Positive displacement types are available in a range from 15 to 1250 hp, and dynamic machines can be supplied up to 15,000 hp. Whatever your air or gas compression problem may be, Joy can supply the best answer. For complete information, write for Bulletin 924-56.



AIR MOVING EQUIPMENT FOR ALL INDUSTRY



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In Canada: Joy Manufacturing Company
(Canada) Limited, Osh, Ontario

that a true random sample can accurately reflect a total that's thousands of times as large as the sample. But it must be truly random.

- **Borderline Program**—Suppose a random sample produces a one-week rating of 16 for a TV show—about the rating that puts a network evening show in danger of getting the ax. In theory, this rating 19 times out of 20 is accurate within a range of 2.3, plus or minus. The actual rating, in other words, may range between 13.7 and 18.3. But once in 20 times, it may be much wider of the mark.

"It's not that possibility of the one time in 20 that worries us," says Richard Baxter, research director of the Cunningham & Walsh agency. "We wouldn't decide on a show on the basis of just one rating. We're concerned about all the other factors that may cause rating movement in the 19 times that the show's rating falls within the double standard error range."

- **The Sample**—Would increasing the size of the sample materially improve accuracy?

"Not without pushing the cost out of range of our customers," replies Nielsen Vice-Pres. Warren Cordell. "To halve the variance, you would have to quadruple the size of the sample. Practically all our clients will wait for several ratings before making a major program decision. This reduces the chance of a recurrent freak rating to a negligible possibility, and it increases the audience base because of audience turnover—a factor we can measure."

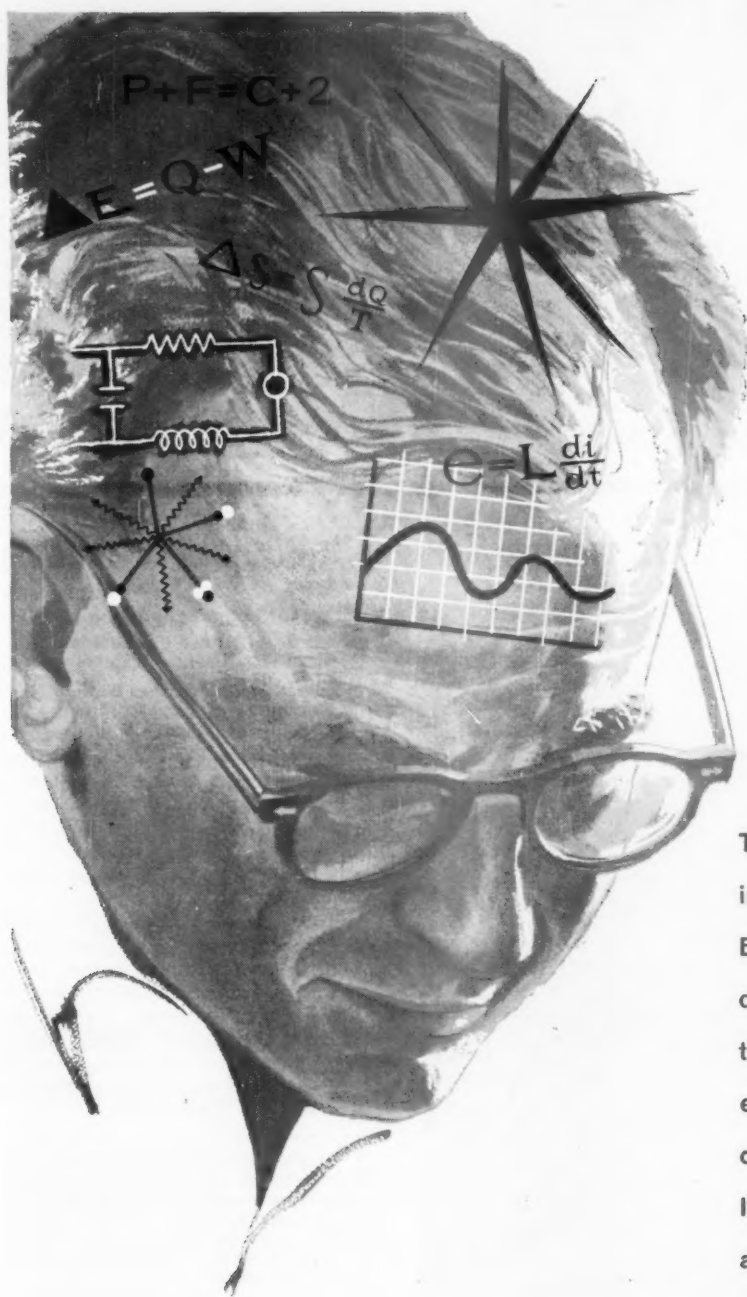
As an agency executive, Baxter confirms that Nielsen's size of sample is "adequately refined for the uses we make of ratings."

The big problem in setting up a sample is not its size but its random nature. Each Nielsen sample home stands for 42,380 U.S. homes, so a tiny distortion can get multiplied into a landslide trend. The problem is to pick 1,050 homes out of the whole country by allowing each U.S. home an equal chance to be chosen.

The job entails picking the one home that will represent a whole county, for example, by applying a random figure to an up-to-date map of the county. "You can't send a man cruising around, picking homes by fancy," cautions Cordell, "or you'll wind up with a bias toward homes that are accessible to the highways."

When a family refuses to be part of the panel—and about 30% of the first choices do—Nielsen representatives must follow a rigidly-prescribed pattern centered around the first-choice home. Otherwise the sample would take on a "cooperative neighborhood" bias.

- **Costly Investment**—Nielsen says 60% of its Broadcast Div.'s costs are directly affected by the size and turnover of



Instruments of the Mind

The engineer has his specialized instruments, as does the surgeon. But the work these instruments perform depends upon the thought that guides them. Knowledge and judgment are essential to any project, but superiority comes only from originality... ideas. If there is a new and better way, engineers at Brown & Root will find it. Practical results in greater efficiency at lower costs have built a world-wide reputation for engineering by Brown & Root.



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CARACAS, VENEZUELA

MARACAIBO, VENEZUELA

CABLE ADDRESS—BROWNILT

Products and Ideas that can pay off for you



These stories illustrate how Koppers customers are using our products to cut costs, make a better product and improve efficiency. If there is an idea here that suggests a money-saving solution to you, just return the coupon and we'll send you full information on the subjects you check.

No corrosion after 27 years underground, with Bitumastic® enamels



At a pipe line relocation job near Truro, Iowa, you're watching a crew from the Natural Gas Pipeline Company of America uncover a section of line that has been in continuous service for 27 years.

A section of the 24-inch pipe is brought up. A workman chips off the pipe coating and you take a close look at the steel. There's no sign of corrosion. Twenty-seven years ago this pipe was coated with BITUMASTIC Enamel coating. And it's still in such excellent condition that they plan to re-use it.

Today, because of improved manufacturing application and inspection techniques, you can expect modern coal-tar enamel to *exceed* the 27-year record of this older type coating. Only Koppers produces BITUMASTIC coatings—a complete line of coal-tar enamels to meet your protective coating needs. Want more information? Use the coupon.

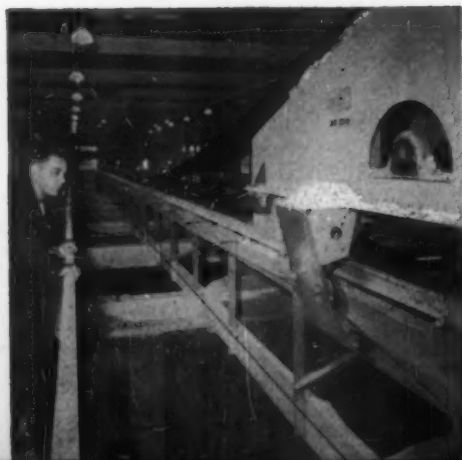
This is the seventh of a series of advertisements which illustrates how Koppers products cut costs, improve efficiency, and contribute to making a better product. If you would like copies of the complete series to date for your product information file, just write us.

Wolmanized® lumber prevents decay in chip bins

These huge 5-story bins in the new wood processing plant of Consolidated Water Power & Paper Company at Wisconsin Rapids, are used for storing wood chips. To prevent dry rot and the necessary maintenance headaches that go with it, Consolidated built these bins of lumber, pressure-treated with WOLMAN® salts, a product of Koppers Wood Preserving Division. Life expectancy of the bins? 40 years! WOLMAN salts are forced deep into the wood cells under high pressure. They

become fibre-fixed, resist leaching and make decay impossible. They're safe from termites, too.

The cost of the "Wolmanized" lumber for the chip bins in this plant was only 30% over the cost of untreated wood, for a life extension of 300% to 500% beyond normal. Do you have a problem where wood might serve best if it didn't fail prematurely? "Wolmanized" pressure-treated lumber may well be the answer. Check the coupon for further information.





Penacolite® bonded beams and arches save \$18,000 in construction costs

This is the Municipal Civic Center, Sanford, Florida. Inside or out, it's a magnificent structure. Stroll leisurely through the domed auditorium and you can't help but admire the natural beauty of the giant beams and massive wood arches. This is wood used imaginatively, ideally, and made possible through lamination.

Then you learn that by designing this striking new civic center using laminated wood, Architect John Burton IV saved the City of Sanford almost one dollar for each square foot of construction costs. In round figures—\$18,000!

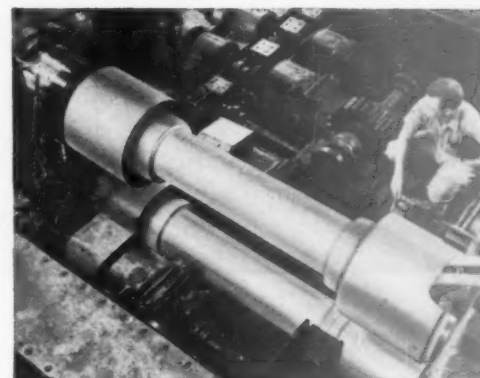
The Rilco Laminated Wood Structural

Members used in the new center are permanently bonded with PENACOLITE resorcinol adhesives, which form waterproof bonds comparable in strength to the wood they join. What's more, they're unaffected by extreme temperature changes, salts, oils or acids. Is laminated wood the beautiful but economical material you need? Then you'll want to know more about PENACOLITE adhesives for bonding structural members. Just check the coupon.

Five-ton couplings help roll jet-age steels

These king-size couplings, two of the world's largest, are integral parts of a new 32-inch rolling mill at Latrobe Steel Company, near Pittsburgh, Pa. The big mill was designed to roll both super-alloy steels for jet aircraft and missiles, and high-speed steels—the basic cutting material for modern metalworking.

Koppers Metal Products Division designed and built these mammoth 10-foot-long FAST'S couplings, which connect the power source to the mill. Their unique design makes allowance for the large



amount of misalignment inherent in this type of application. These couplings will transmit torque continuously under all operating conditions.

Koppers manufactures couplings for many applications ranging in shaft sizes from ½ inch to 36 inch. Could a FAST'S coupling be the answer to your power transmission problem? We'll send you the full story if you'll check the coupon.

New latex for backing makes rugs last longer

Ever wonder why coatings are used on the backs of carpets and rugs? To stop them from wrinkling and twisting out of shape, of course, but why else? Well, it makes them wear better. Loops hold tight under heavy foot traffic, don't pull loose, and the rugs last longer.

Until recently, rug backings—especially for synthetic fibers—had to be vulcanized. The process left the rugs with an odor, and limited the range of dyestuffs which could be used on them.

But now, Koppers Plastics Division has come up with a new latex for non-vulcanized rug backing. Called DYLEX® K-42 latex it's easy to formulate, doesn't need any precuring and gives a lot greater binding strength to tufted carpeting, both cut and loop pile. What's more, DYLEX K-42 eliminates odor problems and accelerators. And, the range of dyestuffs you can use is just about endless. Back sizings containing DYLEX K-42 age gracefully, too. Like to work a little carpet magic? Check the coupon.

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the national sample. It is planning other uses for the sample, however.

It is developing measures of TV advertising effectiveness in creating sales—an early postwar idea that was only partly launched when TV shriveled network radio. Nielsen plans to do this mechanically, rather than by interviewing housewives. The method: Take periodic inventory in the sample homes to check stocks of televised brands. Shifts in brand could then be related to the homes' TV logs.

Nielsen also plans to use its control sample, the one that uses diaries to check the national Audimeter sample, to measure comparative readership of magazines and Sunday supplements. This program will come under Vice-Pres. Henry Rahmel of the Broadcast Div., who plans to syndicate the results to publishers, advertisers, and agencies as in TV-radio.

III. Heart of Operation

Nielsen's Broadcast Div. is more in the public eye, but its Retail Index Div. takes in about half the revenue and makes most of the profits.

Arthur C. Nielsen, now 62, graduated from University of Wisconsin with the highest grade attained by any engineering student. He set up an engineering consultant firm in the 1920s, "rode the capital goods cycle as long as there was anything left to ride," and in the depths of the depression lived on retail sales surveys for a few food and drug companies.

The idea that built the business was revolutionary at the time—the idea of providing all clients with the same information on a continuing basis. Today, 83 out of the country's 84 leading food, drug, and camera supply advertisers subscribe to the Index, which keep tabs of inventory, sales, shelf space allocation, promotional push, and local advertising support at a sample of 1,600 retail outlets that sell the clients' products. Nielsen is expanding this sort of service into other retail fields, such as hardware and perhaps auto accessories.

Nielsen has grown to 3,500 employees in the U.S. and 12 foreign countries. Its headquarters in Evanston, where it claims to have the most complex and elaborate computer setup of any private enterprise in the world, has spilled over into half a dozen annexes all over the city.

Nielsen conducts a coupon fulfillment service and will perform almost any kind of special marketing research that calls for quantitative measurement. So far, it has shunned qualitative measurement, the motivational approach.

"We think it's a rather different kind of business from ours," says Arthur C. Nielsen, founder and chairman. **END**

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SAVES ON GARAGE SPACE—Takes 35 sq. ft. less space. In fact, 7 Corvairs will fit into the area required by 5 conventional cars.

SAVES ON MAINTENANCE—Advanced engineering simplifies Corvair's design, allows easy access for servicing. With Unipack power team, for instance, engine, transmission, clutch and differential can be quickly removed as a unit. Net result: less downtime, lower maintenance costs.

SAVES ON PRICE—Price, in fact, is just about the most practical thing of

all about Corvair. Check your dealer on the short, sweet details.

SAVES ON ANTIFREEZE—Corvair's Turbo-Air 6 never needs antifreeze, never requires flushing, never develops cooling complications like radiator leaks or cracked cylinder block.

SAVES ON TIRES—Corvair's low weight (2,375-lb. curb weight for standard model) lengthens tire life. With smaller sized tires (6.50 x 13) you'll probably save on replacement costs, too.

SAVES ON REPLACEMENT PARTS—Compact construction means fewer, less expensive parts. Air-cooled rear engine simplifies driveshaft

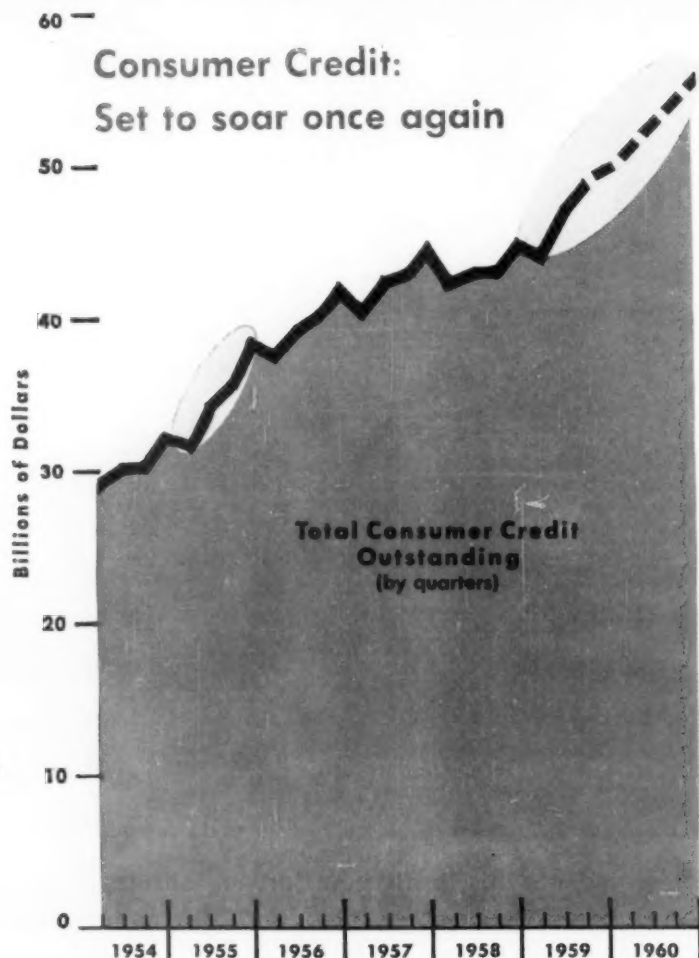
and exhaust systems, eliminates liquid cooling system.

SAVES ON INSURANCE COSTS—With Corvair's low list price you get the benefit of low insurance rates (fire, theft, etc.). And Corvair's low weight lowers the license fee in most states, too.

SAVES ON EXTRA EQUIPMENT—Corvair's effortless handling—it's a pleasure to park in even the tightest places—eliminates need of power assists. For salesmen carrying samples or other bulky items, fold-down rear seat* adds economical cargo space. . . . Chevrolet Division of General Motors, Detroit 2, Michigan.

*Optional at extra cost

U. S. Plans No Installment Curbs



Data: Federal Reserve Board; BUSINESS WEEK Estimate.

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In December, 1957—at a time when the economy was in the midst of its third postwar recession—William McC. Martin, chairman of the Board of Governors of the Federal Reserve System, assessed the economic situation for a group of businessmen at a private dinner in New York. “The chickens of 1955,” he said, “are coming home to roost.”

Martin was referring to the explosive \$6-billion increase in consumer credit in 1955—which contributed materially to the subsequent downturn in the economy. More than once in the past two years, Martin and other Fed officials have pointed out that the need to pay for the spending spree made possible by the increased consumer credit available in 1955 was a major cause of the 1957-58 recession.

• **Invulnerable**—In fact, many Fed officials have said that had specific controls over consumer credit been avail-

able in 1955, they would have used them to cut down on consumer spending. As they see it, consumers are more or less invulnerable to the general credit controls that put the squeeze on business and state and local governments. In effect, they say, because the consumer is insulated, he gets a bigger slice of the credit pie in a time of tight money at the expense of other borrowers.

Now consumer credit is a problem again. This year, while the Fed's tight money policy has pushed money rates to their highest levels since the 1920s, consumers have been able to increase their borrowings by \$5-billion. Next year, government economists expect a rise of \$6-billion (chart), fully as big as the 1955 bulge.

In October alone, consumer credit, on a seasonally adjusted basis, advanced by over \$608-million, equivalent to an annual rate of over \$7-billion. But this

was partly due to early introduction of new car models, and it's probable that in November and December the usual seasonal bulge in credit extensions will be flattened somewhat due to depletion of car stocks by the steel strike. But the consensus is that 1960 will see a new pickup and new records in consumer credit, particularly in cash loans to individuals which are up sharply.

• **Inaction**—The Fed—while it is watching consumer credit “with concern”—is not planning to ask for specific controls. Neither is the White House. Administration and Fed officials don't want selective credit controls for two basic reasons:

• They want no further intervention in the economy unless it is forced on them.

• They consider selective consumer controls a political hot potato, one they would prefer not to juggle in an election year.

Thus, they intend to rely on the Fed's general controls even though these have only a very limited impact on consumers.

Most government economists admit concern over the rise in consumer credit. But they refuse to draw direct parallels between the current situation and the problem that arose in 1955. For one thing, they do not expect 1955's record of 8-million cars sold to be repeated next year; rather, they think sales will be more like 7-million cars, including 500,000 imports. Detroit itself is a little more optimistic than that (page 34).

Despite the widespread concern, the Administration will keep hands off rather than risk a political fight with Congress. “This is a key pocketbook issue,” says a top Eisenhower adviser, “one that would alienate all the wrong people at the wrong time.”

• **Ability to Repay**—Administration economists also feel that selective controls on consumer credit can be questioned just on economic grounds. They say that consumer credit isn't rising any faster than ability to repay—consumer credit repayments are running at an annual rate of 12.9% of disposable income. This is considered a safe margin under the peak rate of 13.2% in the fourth quarter of 1957, when heavy repayments on credit extended in 1955 coincided with a decline in personal income. The economists contrast this with prospects for next year, when they expect the rise in credit to be matched by a rise in personal income.

The Fed leans to the same view. Its officials are disturbed at the high rate

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of credit extensions, but so long as personal income keeps pace, they don't expect credit to get out of hand. They are willing to administer controls over consumer credit if Congress enacts them, but they are not going out of their way to suggest that controls be established. "For that matter," says one Fed official, "we'd collect the garbage if Congress told us to."

The Fed's reluctance to take the initiative in selective consumer credit controls is based largely on previous experience. When Regulation W, governing consumer credit, was in effect during World War II and the Korean War, the Fed had what it considers an "impossible administrative problem." Today with the introduction of such new-fangled devices as the revolving check credit plans and widespread use of bank credit cards, the problem of control would be even more difficult.

• **New York Dissent**—Not everyone in the Fed takes such a dim view of the "impossibility" of the problem. The Federal Reserve Bank of New York, largest and most influential of the 12 regional banks, has long held that standby control over consumer credit would be a useful weapon for the monetary managers. While it goes along with the view that general, economy-wide monetary controls should be the principal weapon, it thinks controls over consumer credit, like current controls over stock market credit, would be a useful supplement.

The New York bank isn't pushing this argument, and Washington, in the present economic climate, isn't likely to buy it. The most that the Fed has done is put some indirect pressure on the banks, suggesting that they go easy on consumer credit. This open mouth policy is likely to be stepped up, along with suggestions that bankers themselves start speaking out against the aggressive advertising campaigns by lenders of all types.

In recent weeks, Raymond J. Saulnier, chairman of the President's Council of Economic Advisers, warned bankers "not to go overboard" on consumer credit, and A. J. Mills, Jr., a Fed governor, sharply criticized bankers for the illiquidity of their loan portfolios due to the buildup of consumer and other long-term paper. The banks would do better, Mills said, to concentrate on self liquidating short-term loans to the commercial sector of the economy.

These statements indicate the concern felt by the Administration and the Fed. But they also indicate that specific controls are not under consideration, which makes it unlikely that bank and loan company men are going to be willing to buy any program of voluntary self restraint.

Consumer credit men, for their part, say there has been nothing unsettling

to the economy so far in the consumer credit expansion. They admit that ever since 1954 there has been a steady lengthening of terms on auto installment contracts, thus permitting lower monthly payments. (It's the size of the monthly payment, not the cost of credit, that is the key factor in determining consumer credit demand.)

• **Maximum Terms**—In 1954, about 42% of new auto financing was for more than 30 months; in 1955, the figure jumped to 62%, and since then the percentage of maximum contracts has continued to creep up steadily, through several "bad" car years. It's currently estimated that just under 70% of new cars are financed for 30 months or more.

Most credit men say the steady lengthening of repayments is "entirely sound." They argue that the objectionable aspects of the 1955 spree—contracts running to 42 months and longer, as well as balloon contracts with small monthly payments and a big final installment—have been eliminated. Many lenders, they say, were badly burned in these experiments and have no desire to repeat them. "Just so long as we stay inside of 36 months," says the head of one of the largest sales finance companies, "we're on firm ground."

So the prospect is for a big bulge in consumer credit. This will stimulate the economy as a whole, particularly the durable goods sector, which can use it most. But the rise can cause trouble if it goes too far, to a point where consumers are in effect borrowing from next year's consumption.

• **Distortions**—The economy could be seriously distorted as the Fed's tightening of over-all credit allows consumers to get an inordinate share of what credit is available. On top of that, heavy consumer demand could put new pressure on prices and so force the Fed to restrictions that would slow the economy.

The rise and fall of interest rates usually has little effect on the rates charged by sales and consumer finance companies; and a rise of a dollar or two in monthly installments can cover a big difference in annual interest rates. And the finance companies have cultivated borrowing relations with pension funds and insurance companies, whose flow of investible money remains rather steady. All these factors help to explain why consumer credit could rise \$6-billion in tight-money 1955.

All in all, only the smaller finance companies are likely to be affected seriously by a general credit squeeze. Such major companies as General Motors Acceptance Corp., expect no serious impairment of their ability to extend credit.

• **Bank Position**—The commercial banks—whose 38% is the biggest chunk



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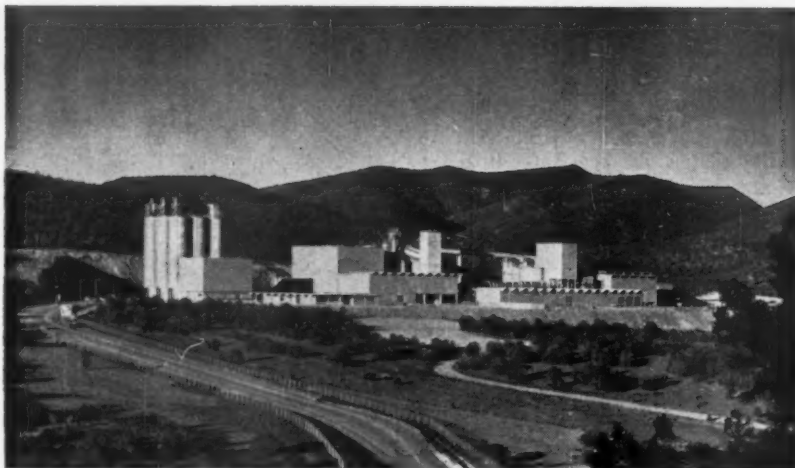
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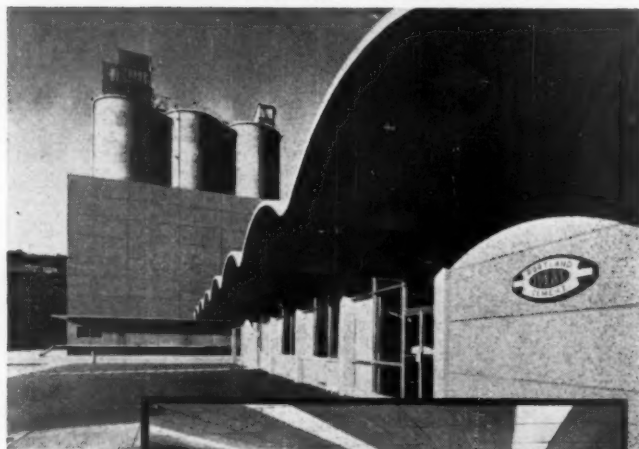
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of consumer installment credit—are less favorably situated. Tight money directly affects their reserves and deposits—which means their ability to lend. So far, the banks have been pushing their consumer credit plans vigorously, apparently without regard for the strain on their commercial lending. But many observers feel that they will soon have to start holding back on consumer credit. The extent of such restraint could have a major effect on the general consumer credit situation.

Fed to Clarify Curbs On Bank Loans on Stocks

The Federal Reserve Board moved this week to clear up apprehensions over its amendments last summer to Regulation U, which limits bank lending for the purpose of carrying and purchasing securities (BW—May 16 '59, p122). At that time, the Fed was worried about bank credit going into the rapidly rising stock market, and acted to reduce this flow by changes in the regulations that severely curtailed the ability of banks to lend on stocks.

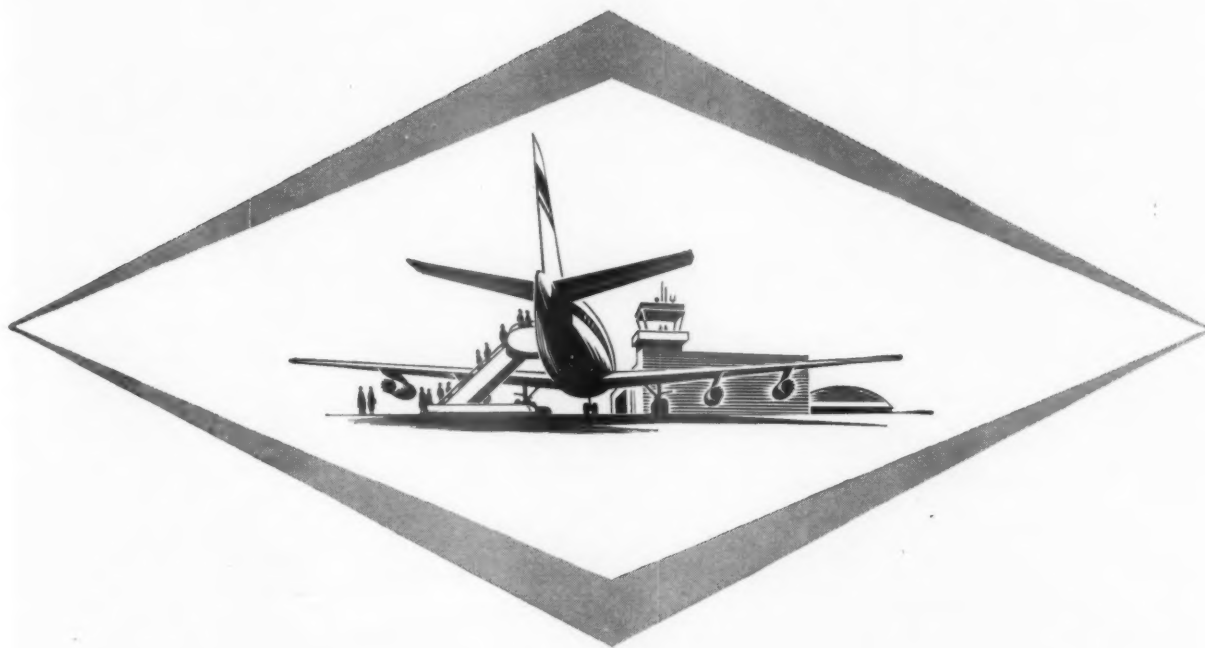
When the rules went into effect on June 15, the Fed started receiving requests from banks that hesitated to make even valid loans without specific rulings from the Fed. Lacking clear-cut interpretations, many banks adopted a hyper-rigid policy on stock loans, going further than the Fed's regulations intended.

A typical case applied to the new rule that says a loan need not be treated as one made for the purpose of carrying securities—thus subject to the 90% margin requirement rather than a more liberal margin—if the stock has been owned free of lien for as long as one continuous year. On this point alone, there were many requests for rulings. One bank asked about an aunt who held stocks without lien for 50 years and then gave them to her nephew. If the nephew wants to borrow on them after two months, does the bank count only the two months or the 50 years too. The Fed ruled the bank can also count the 50 years.

What the Fed proposes to do now is incorporate these numerous rulings given to individual banks into Regulation U so that they will be generally available as a lending guide. This week it asked for comments until Jan. 11 from "interested groups" on the proposed inclusions.

The Fed's plan involves no basic change in Regulation U's substance. But it will tend to "free up" bank loans on securities—made for purposes other than carrying or buying stocks—to the extent that bankers are relieved of unwarranted apprehensions.

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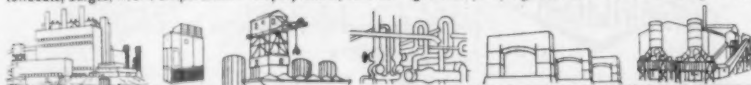
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Data for a Much-Needed Monetary Debate

The most important recent study of modern monetary and fiscal problems is contained in Britain's Radcliffe report, issued last summer after two years of investigation and deliberation by a nonpartisan committee appointed by the British government (BW—Aug. 22 '59, p31). The report is primarily concerned with Britain's monetary system, but a great many of its findings are applicable to other countries, including the U.S., where the Administration itself tried to get approval from Congress for a similar investigation of our own system. Thus, all the circumstances indicated that the Radcliffe report would get a thorough airing.

This has not yet happened. Far from creating a stir, the Radcliffe study has generated surprisingly little debate and discussion in the U.S. This is a pity, for the report has a good deal of meat in it on a number of crucial subjects. If ever there was a time when debate over monetary policy was needed, it is now.

• **Unconventional View**—There is no real mystery, though, about the chilly reception that has greeted the Radcliffe report. The chill stems from one major recommendation that takes a very different view of monetary policy from the accepted one. The Radcliffe committee proposed that monetary policy should be used to control the over-all liquidity of the economy, not merely the money supply.

Liquidity, as the Radcliffe report defines it, takes in all the monetary substitutes available to borrowers, from Treasury bills to the shares of savings and loan associations, the certificates of life insurance companies, the shares in pension funds. These money substitutes are not directly influenced by the actions of the monetary managers, so that a restrictive credit policy does not necessarily entail a reduction in the over-all liquidity of the economy. In fact, the Radcliffe report stresses the importance of liquidity because it feels that decisions to spend are based on the availability of these money substitutes rather than on money—or bank credit—alone.

• **U.S. Parallel**—In this respect, the financial structures of the U.S. and Britain have much in common. We, too, have had a big growth in financial intermediaries, which invest in relatively illiquid assets, such as mortgages, but issue relatively liquid claims. Monetary policy does not directly influence their activities, a state of affairs that is of concern to many economic experts.

For example, Prof. Charles L. Schultze of Indiana University, writing in the current issue of *Challenge*, points out that with non-banking institutions providing a "steadily increasing percentage of the money loaned for industrial expansion," the Federal Reserve, which controls only bank credit, is "gradually but surely losing its ability to promote non-inflationary economic growth through monetary management."

Schultze seems to support the Radcliffe concept of monetary management, which is geared to influence total liquidity. But this is a minority view. The majority of American financial experts, and most of those in

Britain as well, are sticking to the position that the proper aim of monetary management is the management of money itself.

• **Cart Before Horse?**—This is clear from a critique of the Radcliffe report made in Lloyds' Bank Review by Robert V. Roosa, vice-president of New York's Federal Reserve Bank and one of this country's foremost students of central banking. Roosa states that while the study makes definite contributions in many areas, its championing of liquidity is difficult to accept. As a result, foreign observers have a "let down" feeling.

Roosa's criticism is not a case of an orthodox believer in central banking condemning out of hand something that is new and revolutionary. He is perplexed by the committee's position, and feels that it is putting the cart before the horse in its demand that "it is the liquidity of the economy rather than the 'supply of money' that the authorities should seek to affect by their use of monetary measures." According to Roosa, "policies for influencing liquidity must start from and be elaborations upon a policy with respect to money itself."

Roosa argues that to practice what the Radcliffe report preaches is tantamount to having a monetary system without a monetary policy for managing it. For the essence of central banking involves influencing the variable element of over-all liquidity—bank credit, which unlike other forms of liquidity, can be created or extinguished overnight. Controlling bank credit has admittedly proved a difficult job. But at least it involves control over something more tangible than over-all liquidity, which Roosa calls "distressingly elusive" as a concept.

As Roosa points out, the report tacitly acknowledges that monetary management, through its control over bank credit, does influence liquidity. What the report fails to do is to suggest how liquidity can be effectively controlled without putting a priority on control of money.

• **Worth a Closer Look**—But whether the liquidity concept is half-cocked or not, it certainly deserves a closer look. The same holds true for other portions of the report.

For example, the report makes clear that general, quantitative controls over credit, which the Fed believes in, do have a selective effect, particularly on new and small business. And while it does not support use of selective controls under ordinary circumstances, it does suggest that there is a need for stand-by authority over consumer credit which could be utilized in a fast-moving situation when general controls would be largely ineffective.

Moreover, the British committee points up the need for unified policies on the part of the fiscal and monetary authorities. For Britain, it recommended the establishment of a joint Treasury-Bank of England committee, headed by the Chancellor of the Exchequer, to formulate coordinated policies. The Macmillan government has rejected that proposal on the grounds that it would

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The finance pattern

(Continued)

appear to impair the independence of the central bank. Yet the report indicates that the bank's independence is already limited, and that its proposals sought to clarify and codify the precise limits of the bank's freedom.

Under the British system, this may not be necessary, but the report's careful spelling out of the relationship between central bank and government is well worth study on this side of the ocean.

• **Light on U. S. Problems**—It seems obvious that the Radcliffe report deserves attention. Indeed, while Roosa has delivered some telling blows at the liquidity concept, it may well be that further debate on this subject would prove highly enlightening.

And in any case, the fact that this portion of the report is under a cloud is no reason for shelving the rest of it. For the Radcliffe study sheds a great deal of light on many problems that have plagued the U. S. To ignore all its findings because of one questionable view is an even bigger mistake than that view may be.

The report is in fact an excellent text for all students of money and banking. For despite the fact that our own financial system, like Britain's, has many traditional elements, it is constantly changing and evolving. The rise of non-bank financial intermediaries, for example, is just one of the new forces that are bringing great changes in both countries. The Radcliffe report's study of the changes that have taken place, and its discussion of their significance, is definitely worth pondering. Certainly it should be required reading for the members of the National Commission on Money and Credit, the group established by the Committee for Economic Development to study our monetary situation after Congress failed to approve the Administration's request for a study.

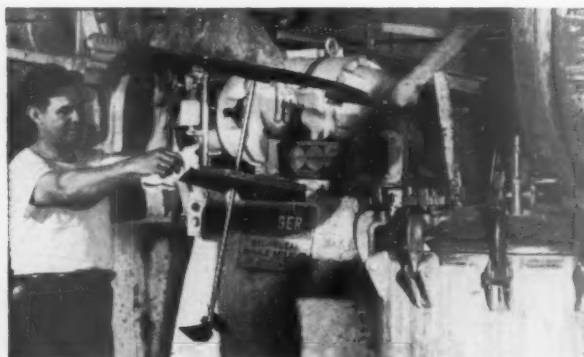


Mr. Olin G. Scutt, Supervisor of Stock and Tool Cribs, Range Division, General Electric Company, Louisville, Ky., buys Scott Wipers because:

"Scott Wipers
save GE thousands
of dollars in 'rejects'
and yield untold
dividends in improved
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Every GE Range is wiped clean of smudges and finger marks before it is crated, leaving the porcelain enamel shiny and spotless. This is the way dealers and customers find the range when they uncrate it.



Equipment in GE's Enamel Mixing Department is cleaned before ingredients are blended for porcelain enamel finishes. Dust and grit that Scott Wipers remove could otherwise plug spray guns or spoil the surface-finish of a range, causing rejection during GE's rigid inspections.

Operator uses paper wiper to remove brass chips from lathe bed. Low unit cost of Scott Wipers — each one costs less than a third of a cent—makes it feasible to discard wipers after every use. Employee does not run risk of scratching himself with chips picked up in previous wiping application.



SCOTT PAPER COMPANY

Department BW-912, Chester, Pennsylvania

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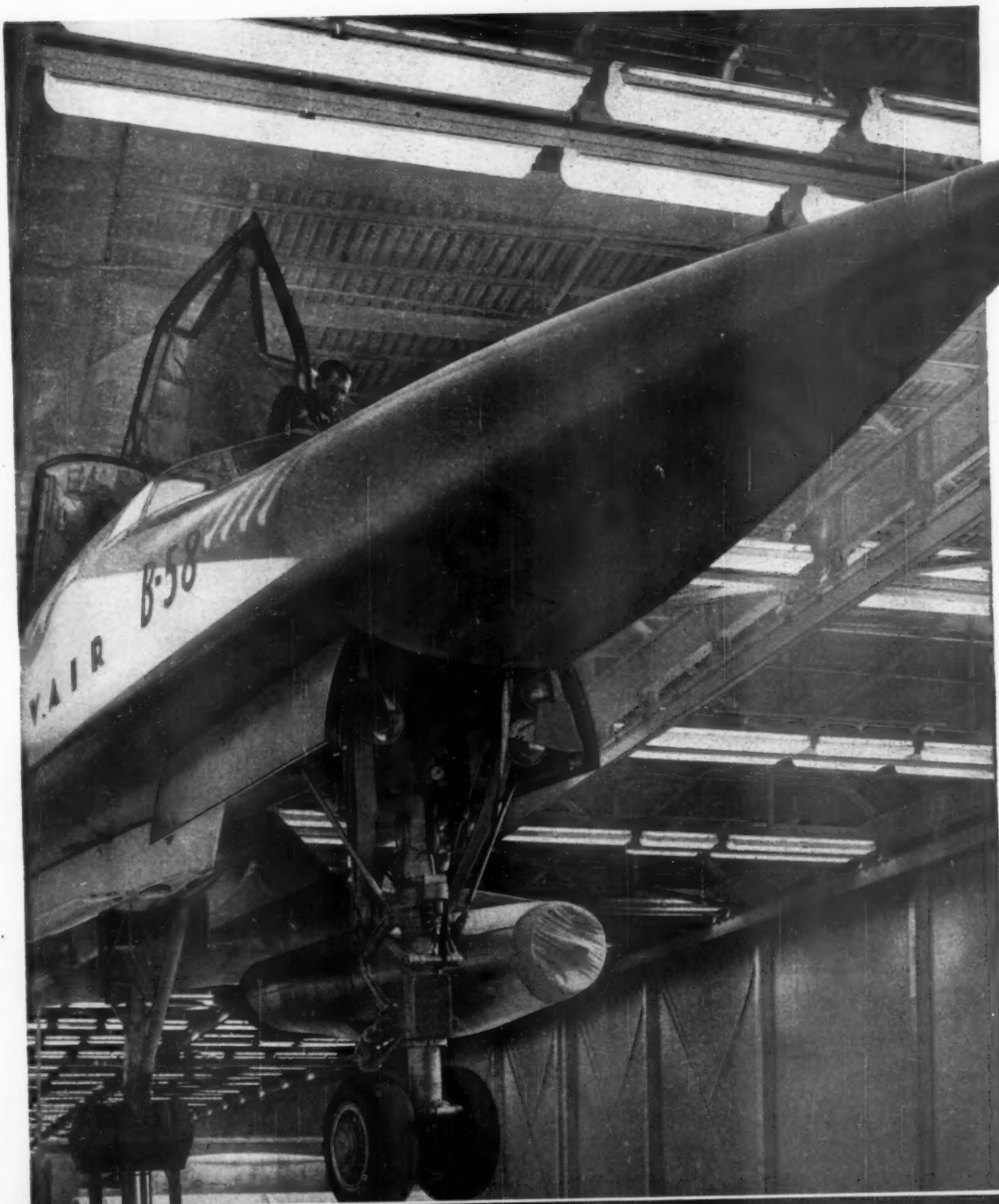
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Sylvania Silver White Mercury Lamps give you up to 16% more light than other types.

Convair B-58 "Hustler"—
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"Sylvania Very High Output fluorescents helped us break the 'light barrier' at Convair!"

B. G. Reed, Assistant Division Manager—Operations
Convair Division, General Dynamics Corp. (Fort Worth)

With the help of Sylvania-installed VHO fluorescents, Convair-Fort Worth engineers have nearly tripled the light intensity on work surfaces at their 225,000-square-foot precision manufacturing plant in Fort Worth, Texas.

Convair craftsmen now produce B-58 "Hustler"* jet bombers under superior lighting conditions of nearly 3 times the intensity provided by their previous lighting system.

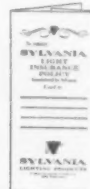
Do you need more usable light in your factory? Let your Sylvania supplier show you how you can get the most light for your money with Sylvania VHO fluorescents.

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In Finance

• • •

Conspiracy Charge Against Maurice Olen Filed in H. L. Green Merger Aftermath

The affairs of H. L. Green Co., the \$100-million-a-year variety store chain (BW-Dec. 5 '59, p43), took two new turns last week, neither of them unexpected:

Maurice E. Olen, former head of Green, was indicted on conspiracy charges in connection with an alleged \$6-million fraud that led to a public issuance of stock by Olen Co., Inc., and a merger between it and H. L. Green in 1958.

A federal grand jury also named as defendants Olen's chief bookkeeper, Miss Margaret Mandeville, and three accountants, Lewie F. Childree, Homer Kerlin, and Luther E. Clements, all of Lewie F. Childree & Co., of Mobile. The defendants were charged specifically with violating the Securities Act of 1933, the Securities Exchange Act of 1934, and conspiracy to violate the acts in connection with the issuance of 100,000 shares of Olen Co. stock and the merger with the Green chain in 1958.

Morton S. Robson, chief assistant U.S. attorney, charged that Olen, with the connivance of the others, filed false statements that in one instance underestimated the liabilities of the merged companies by \$3-million and overstated its inventory by \$3-million. Robson also claimed that when the Olen Co. issued stock in 1958, its prospectus showed that the company earned \$450,000 in the year ending Jan. 31, 1958, when, in fact, it "probably lost money."

Meanwhile, the Green company negotiated an out-of-court settlement with Olen and a group headed by Jack Wolgin and Sylvan Cohen, who claimed control of 9% of Green stock. Under its terms, Olen surrendered to Green all his material assets, as well as his contractual rights—valued at \$1.6-million—in Industrial & Retail, Inc. (previously Industrial Development, Inc., a personal holding company of Olen's). Wolgin and Cohen become the owners of I&R and its 9% holding in the Green company.

• • •

Money Experts Differ on Prospects For Interest Rates in Months Ahead

What's the outlook for interest rates? Three experts advanced three different views this week:

Roy L. Reierson of Bankers Trust Co. thinks that a "significant rise in business activity in the year ahead" will mean higher interest rates than the peaks "reached last September." He thinks that the greater part of the rise in interest rates is behind us, but expects that the demand for short-term credit by business and consumers will mean a further rise in rates.

C. Richard Youngdahl of Aubrey G. Lanston & Co. looks for a large measure of stability in rates, expects

yields to fluctuate between the September high and the October low.

William R. Biggs of the Bank of New York feels that the economy will continue to prosper, but expects "definite money pressure on the economy, which will tend to put a ceiling on further expansion. This tightness of money could not only level out the improvement in business, but shorten it."

• • •

Armour Pays Cash, RCA Distributes Stock

Armour & Co. declared a 30¢ quarterly dividend and a special dividend of 1/40th share of International Packers, Ltd., for each share of Armour. It was the first payment by Armour since last March, when it paid 10% in stock, and its first cash dividend since 1948. Company spokesmen said it was a "reasonable inference" that Armour would pay quarterly cash payments on a continuing basis. . . . RCA voted a 2% stock dividend, instead of the 50¢ yearend extra it has paid in the past few years. Officials say the stock dividend will conserve cash, broaden the base for future earnings. . . . New York's big banks, which have been cautious about raising their payouts (BW-Nov. 28 '59, p151), showed some largesse this week: Manufacturers Trust raised its regular dividend from 55¢ to 60¢—its second increase this year, Morgan Guaranty voted an 80¢ extra, and Bankers Trust provided the biggest plum of all—a 100% stock dividend and a hike in the payout from \$3 to \$3.44. Bank stock dealers said Bankers Trust might set a new fashion for declaring cash dividends figured in odd pennies.

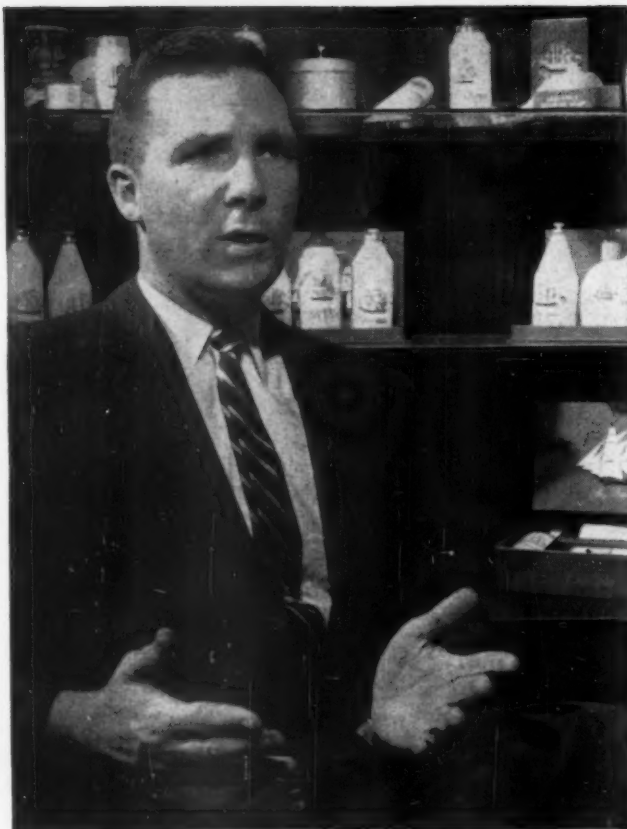
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Finance Briefs

The Justice Dept. this week decided to throw in the towel in its fight to block the Bank Stock Corp.'s attempts to acquire control of Milwaukee's Marshall & Ilsley Bank and Northern Bank (BW-Nov. 7 '59, p62). Late in October, Justice asked for a delay in the acquisition to see whether antitrust action would be justified. Now it has decided against any such action. The acquisitions, which have been approved by the Federal Reserve, are expected to go through without a hitch.

Gov. David L. Lawrence of Pennsylvania took a swipe at what he considered the Administration's tight money policy this week in vetoing two bills that would have hiked interest rates for banks and small loan companies. Lawrence, a Democrat, argued that the bills "by further easing the restrictions of our usury laws . . . would serve to force up interest rates at a time when they have already reached a high level because of the restrictive credit policies of the federal government."

Billy Rose, an affluent investor, and William Zeckendorf, head of Webb & Knapp, Inc., squared off over a recapitalization plan for W&K that provides an exchange of W&K's 1-million shares of second preferred for common shares at the rate of eight common for each share of second preferred. Zeckendorf claims the plan would simplify the corporation's capital structure. Rose contends that it would result in at least a \$26-million dilution.



**"Flexi-Van
gives us the most
dependable service
at the right price"**

*says Graham Arlitz, Traffic Supervisor,
Shulton, Inc., Clifton, New Jersey*

"Flexi-Van gave us the reason to turn to rail transportation. We find it invaluable for shipments to our Chicago warehouse. Flexi-Vans move throughout the week and arrive consistently on the second morning."



View of OLD SPICE inspection line at the Shulton plant points up their interest in the maintenance of fine quality.



Flexi-Van at loading platform of Shulton plant in Clifton, N. J.



Careful supervision of all shipments is made on the loading platform at the point of departure and point of delivery to insure its arrival on schedule and in perfect condition.

New York Central Railroad

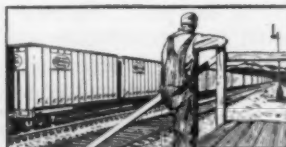
Write: R. L. Milbourne, Director of Flexi-Van Sales and Service,
N. Y. Central, 466 Lexington Avenue, New York 17, N. Y.



Your freight is loaded, locked in under your supervision.



Van boards freight train at track-side. Transfer time, 4 minutes.



Shipment rides low, well cushioned aboard high-speed cars.



Beats trucks on long hauls. Two pick-ups or three deliveries.

Nehru Sidles Toward the West

Military and economic pressure from Communist China is forcing India to consider closer ties with the U.S.

Pres. Eisenhower's talks with Prime Minister Nehru (picture) this week could not have been better timed.

For India, a pivotal country in Asia, is embroiled today in a searching reappraisal of its position as a neutral in the East-West struggle. Behind this reappraisal looms one major factor—Communist China's mounting power as India's main rival in Asia.

Already, there are signs that India, under military pressure from Red China, is readjusting its foreign policy in subtle but significant ways. From a policy that seemed, at times, to take a rosy view of Communism, New Delhi now is shifting to a policy of absolutely correct nonalignment between East and West.

• **New Alliances**—For the first time since winning independence from British rule 12 years ago, India now is mentioning possible military assistance—from the West. In private talks with Nehru, Eisenhower undoubtedly will indicate that the U.S. would be willing to supply military aid if needed.

In fact, Red China's pressure is forcing policy changes in Delhi that in the long run may help India—and U.S. relations with India.

For one thing, the chances for a real rapprochement between India and Pakistan are brighter than ever. A military pact between the two is even a possibility. Against the backdrop of past disputes, any closer cooperation would amount to a radical change in Indian-Pakistani relations.

For another, India now is more inclined to understand Washington's tough stand against Communist inroads around the world. It is getting a firsthand taste of Communist maneuvering right along its northern borders. At the same time, Red China's aggression is sure to create a more favorable attitude in Congress for helping India finance its upcoming Third Five-Year Plan.

• **Economic Growth**—Over the long pull, Indian-Red Chinese rivalry may center on economic growth. At least, to many observers here and in India, the economic competition between the two vast Asian countries far outweighs the importance of border incidents.

To develop industrially, Peiping has used totalitarian methods. Delhi has followed the democratic path, mixing pri-

vate enterprise with government projects. Seeing the relatively slow pace of economic growth, Delhi recently has given foreign investors a freer hand to do business in India.

Indian-Red Chinese competition—as viewed by some Indians—could eventually become the main battleground in the East-West struggle. That's certainly a possibility, particularly if U.S.-Soviet relations continue to improve.

The real danger in the years ahead—as some observers see it—is that India may try "Communist shortcuts" to keep from lagging in its economic race with Red China. Any such moves, undermining India's experiment with democracy and capitalism, would be a blow to the West.

I. Relations With Red China

Historically, there is a certain irony in India's competition with Red China.

Shortly after the Communists' victory in China, India hurried to recognize the new Peiping regime. Then, in 1954, Nehru and Premier Chou En-lai agreed to a formula defining relations with the two countries. The formula, known as Panch Shila or the Five Principles, amounted to an accord under which each country would not attack or interfere with the other.

• **Co-Existence**—The year 1955 was the high point of Indian-Red Chinese "peaceful co-existence" (one of the Five Principles). At the full-dress conference of Afro-Asian nations at Bandung, Indonesia, Nehru reinforced India's position as the leading "neutralist" country free of any direct alignment with either the Communists or the free world. While Pakistan, for instance, accepted U.S. military aid, India would have none of it.

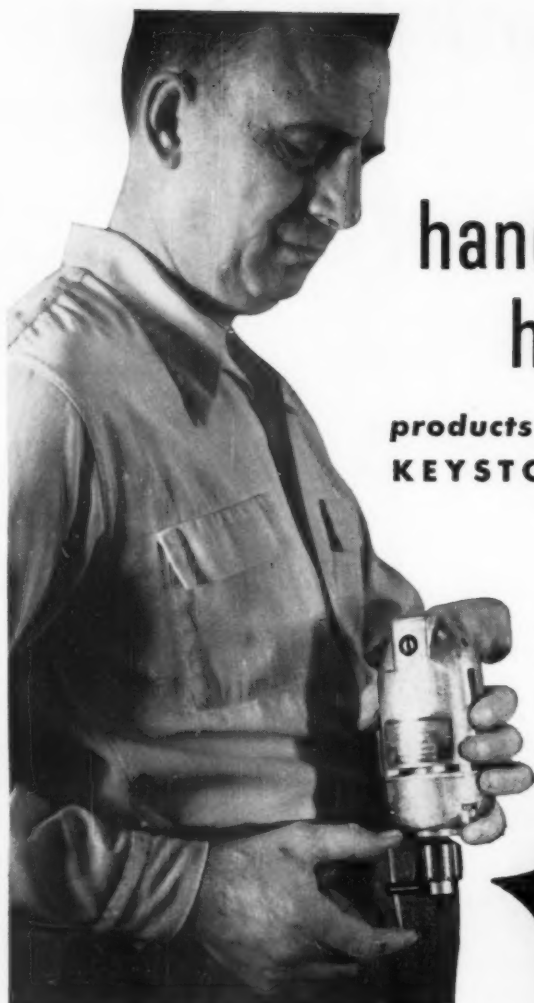
By 1957, however, Red China's strength was beginning to show—out in the open. Peiping was pushing its "great leap forward" campaign to speed economic development. The campaign, leading to last year's formation of communes, brought results, at least in the buildup of heavy industry. The lesson of Red China's often ragged but nevertheless real progress was not lost on Southeast Asian countries. And Indians toured China to study economic development.

At the same time, Peiping started an export drive in Southeast Asia. Instead of competing side by side with Delhi to spur economic growth, Peiping began to compete directly—in India's own export markets.

• **Peiping's Move**—Not all the competition was economic. Even in 1957, Red



PRIME MINISTER Nehru is trying to get his government to speed up economic development and attract foreign investors.



handyman helpers

products made from
KEYSTONE WIRE



Blank for this chuck key for a quarter-inch drill is produced in two blows on a header. Manufactured by Central Screw Company, Chicago, Ill.

HANDYMEN nowadays have lots of "helpers"—and products made from Keystone wire do their share. Of course, there are the obvious ones: nails, bolts, screws made of Keystone wire. But, there's a host of other applications, too—like many vital parts of the drill shown here.

For example, the chuck key formerly had to be machined from bar stock, then gears cut into the head. Today, gear cutting has been eliminated and machining reduced by heading the part from a wire blank. Overall costs were cut about 50%.

When you build or specify a product, consider it carefully: perhaps wire—Keystone wire—can help you make it better for less. We'll be glad to help you find out!

Keystone Steel & Wire Company, Peoria 7, Illinois

Cold heading and
forming wire for
industrial uses.



KEYSTONE

Chinese troops were quietly occupying small bits of territory along India's borders. And Peiping quietly continued to print maps showing portions of India as Chinese territory. Then, the turning point came earlier this year when Red China clamped full control over Tibet. Several months later, Peiping began raids along India's northern frontier.

At first, Nehru seemed to fumble in deciding how to counter Peiping's moves. For one thing, he adamantly backed Defense Minister V. K. Krishna Menon, whom critics blasted for inadequate defense preparations and pro-Communist leanings. But as if waiting for public opinion to lead the way, Nehru finally took a firm stance toward Red China and won back full parliamentary support.

• **Blow at Prestige**—There are no easy explanations for Red China's threatening moves. Some observers say that because of failure of its export drive, Peiping wants to recoup prestige by "bullying" its neighbors. Top Indians, including Nehru himself, trace the trouble to China's periodic "expansionism." In this light, Peiping may even seek access to the Indian Ocean through Burma at some later date.

One factor, of course, is Peiping's clear resentment at Moscow's warm talk about a Big Four summit meeting. By harassing India, Peiping is showing that it, too, is a power to be reckoned with in any East-West settlement.

II. Economic Timetable

India's long-run test, however, is how fast it can develop economically.

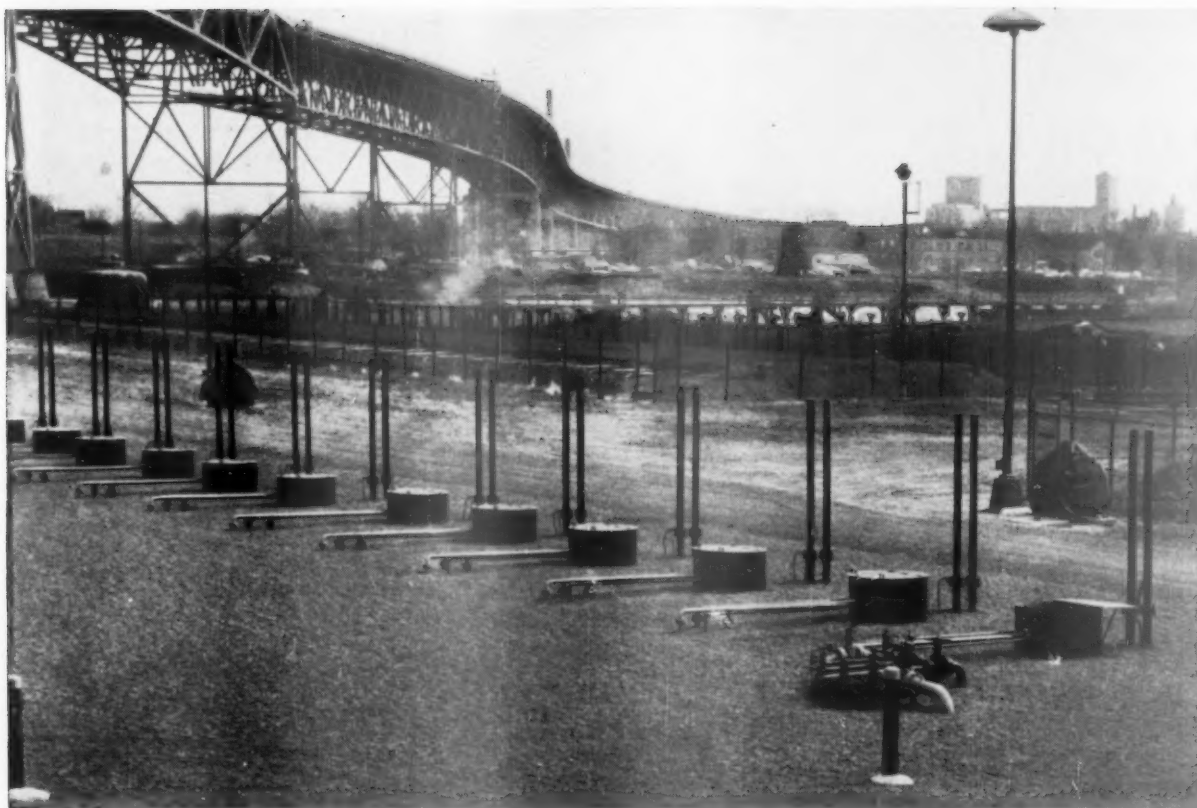
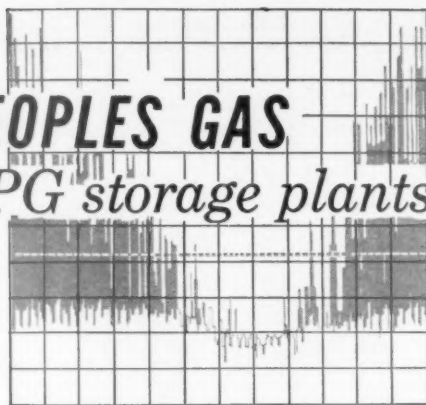
So far, the results of the first two Five-Year Plans look good. As one example, Tata Iron & Steel has doubled steel output—with U.S. help. Three other steel mills—built from scratch by the Russians, British, and West Germans—are getting into operation. It's these big plants, along with big dams and other large-scale projects, that show the public that India's race with Red China is not lost.

• **Open Door**—While Delhi's planners still oversee all economic development—with a plodding bureaucracy that often slows new projects—private enterprise has been getting a better shake in the past year. The government has been switching projects from the "public" to the "private" sector. Just recently, it has opened the door for foreign oil companies to apply for concessions—a reversal of the 1954 policy of putting most oil development under the government's umbrella.

U.S. companies still have only a small stake in the Indian economy—about \$200-million. But lured by more favorable treatment, they are stepping up the pace of new investments. Kaiser

SHAVING PEAKS AT PEOPLES GAS

with Pritchard's LPG storage plants



Just a row of pipes. That's all you can see of the LPG peak shaving plant J. F. Pritchard & Co. has built for The Peoples Gas Light and Coke Company at its Calumet terminal. Yet, insignificant as it may appear, this plant and another Pritchard has installed at the company's Crawford terminal have added 2,400,000 gallons of underground capacity to the LPG storage systems operated by this Chicago utility.

Pritchard has built more than 80 peak shaving plants with a capacity of over 40,000,000 gallons of LPG for firms all over the country. Other Pritchard specialties for the gas industry: compressor stations, dehydration plants, gas conditioning and treating plants.

But Pritchard specializes in more than the mere construction of facilities. Pritchard has the

experience and staff to render a complete service—from the planning stages to the final construction of a turnkey job. Economic surveys, preliminary engineering, and procurement are examples of the range of services Pritchard offers.

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Members Federal Deposit Insurance Corporation

Industries is joining Birla in a large aluminum project. Firestone is cooperating with local Bombay businessmen on a synthetic-rubber venture. U.S., British, German, and Italian companies are putting money into chemicals, machine tools, and pharmaceuticals along with local Indian interests.

Another sign of the new atmosphere favoring more emphasis on private investment is the formation of a business-oriented political party, called the Swatantra Party. Though small, it has been vocal in pushing the role of private enterprise in India's development.

• **Outside Aid**—In any case, however, economic growth has depended heavily on outside aid. Since 1950, the U.S. has poured \$2-billion in various forms into India to help economic development. Under the Third Five-Year Plan (1961-65), Delhi will probably need about \$1-billion yearly in outside aid. The third plan is bigger and costlier than the present one. It will involve a substantially larger foreign-exchange gap than the \$1.2-billion gap in the second plan. As a further complication, Delhi will have to worry over debt repayments for the first two plans.

Russia is committed to around \$600-million worth of aid for the Third Plan. In fact, Russia's relations with India are in sharp contrast to Red China's. Some observers see Moscow's neutral attitude toward Indian-Red Chinese rivalry as a slap at Peiping's efforts to spread its influence in South and Southeast Asia.

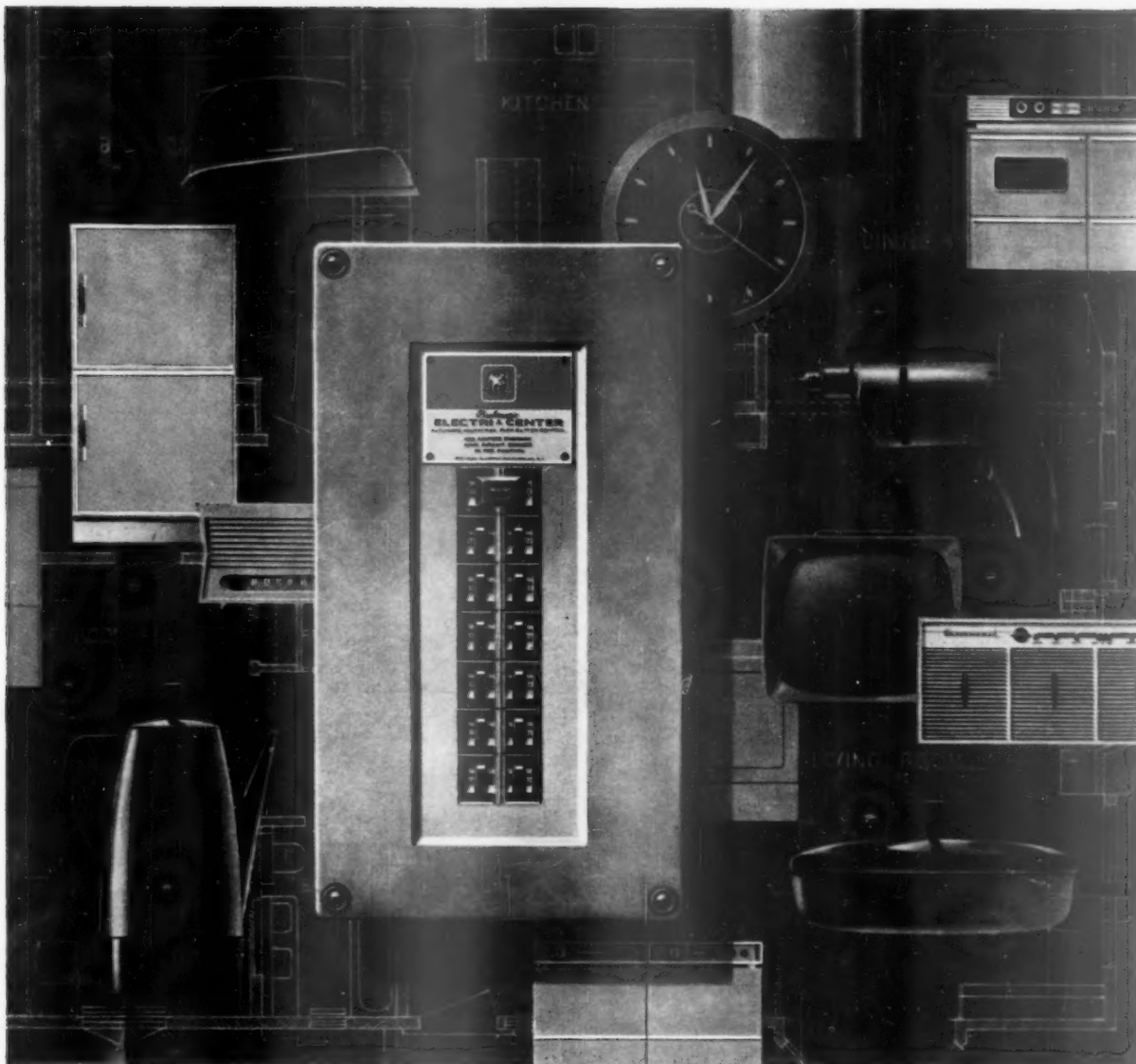
Washington's worry is that in the present situation, India may want too much from us too fast. If its requests should be too large, the U. S. might not be able to deliver the needed support. And that would only help create disillusionment in Delhi.

• **For Defense**—One burden that India may face soon is a boost in defense expenditures. That in itself could go a long way toward upsetting the Third Plan. As Nehru has warned, Red China could hurt India as much by forcing an increase in defense outlays as by any direct moves.

On the other hand, Red China's threats have brought some advantages. Internally, the Communist Party has lost ground. Its unpopularity has helped consolidate the ruling Congress Party.

Externally, India has been smoothing relations with Pakistan. An agreement for using the long-disputed waters of the Indus River is almost in the bag. The two countries seem ready now to try a new approach toward solving their bitter feud over Kashmir.

On top of that, India-Pakistani cooperation would permit more efficient deployment of troops of both countries to meet military threats from Red China. **END**



Artist Ned Seidler here paints the ingredients of modern living . . . a familiar variety of typical electrical appliances and the I-T-E BullDog ELECTRI-CENTER® that insures safer, more constant electric power.

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Electricity is a necessity in today's home . . . a vital part of modern living. When a short circuit or overload knocks out electric power, you want it back . . . right away. This is what the I-T-E BullDog ELECTRI-CENTER does. Just push a button on the attractive panelboard. The PUSHMATIC® circuit breaker brings your power back instantly. No delay. And no uncertainty. Because PUSHMATIC always gives just the right protection. Gone is the hazard of overheated wires. Today a growing army of electric-living Americans are grateful for BullDog ELECTRI-CENTER protection, love its convenience. The broad line of other I-T-E electrical equipment serves industrial, commercial and institu-

tional users of electricity everywhere, plus all the electric power companies in the nation. Known for its extra quality and superior performance, I-T-E equipment costs no more. Do you need electrical equipment?

Divisions: Switchgear • Small Air Circuit Breaker • Transformer & Rectifier • Special Products • Greensburg • BullDog Electric Products • Victor Insulators • Kelman Power Circuit Breaker. Subsidiaries: The Chase-Shawmut Co. • Walker Electrical Co. • Wilson Electrical Equipment Co. • In Canada: BullDog Electric Products Co. Ltd. • Eastern Power Devices Ltd. • Canadian Porcelain Co. Ltd. • Headquarters: Philadelphia, Pa.



I-T-E CIRCUIT BREAKER COMPANY



Cuts inventory, yet widens range of "custom" machining **GULF MAKES THINGS**

How do you maintain "custom" standards of machining, and yet hold down operating costs in the face of a constantly expanding diversity of projects?

That was the problem faced by the Rolling Mill Division of E. W. Bliss Company, Salem, Ohio. This division produces a wide variety of metal processing equipment, from machine tools of bench-top size to multi-million dollar rolling mill installations.

H. G. Gibson, Plant Engineer, found the answer in just three of the multi-purpose cutting oils in the Gulfcut line. Gulfcut 21A, Gulfcut 31A and Gulfcut Soluble

Oil proved effective over the complete range of tough machining jobs at the plant, and permitted a wholesale reduction in oil inventory.

"Our alternative," reports Mr. Gibson, "would be a stockpile of individual cutting oils and special additives for individual jobs—with a resulting step-up in inventory costs. But these three Gulfcut oils meet *all* our machining requirements.

"In high-precision gear hobbing, for example, Gulfcut 21A dissipates the extreme heat rapidly and thus checks expansion of both hob and workpiece. Gulfcut



Gulf man on the job checks precision-hobbed gears. Left, Fred Sweitzer, General Superintendent. Right, William A. Stranko, Gulf Sales Representative.

Hobbing helical gears for rolling mill tables, on a 72" gear hobber, at Rolling Mill Division of E. W. Bliss Company.

New 116-page manual for production men: gives full information on selection and usage of cutting oils for all machining operations. Complimentary copy on request.



with 3 multi-purpose Gulfcut® oils . . .

RUN BETTER!

helps us hold tolerances within .001" in this operation.

"In the boring, facing and turning of large gear rings, Gulfcut Soluble Oil gives us the critical cooling required and permits a feed of 325 sfpm with no loss in tool life.

"In a tough screw-cutting operation, where the piece is 25 feet long, Gulfcut 31A helps us achieve the specified 16 micro-inch rms finish on highly polished screws used in steel mill roll changing units.

"In hundreds of other jobs, these three multi-purpose Gulfcut oils help us maintain our high machining standards on a low oil inventory."

If your company uses petroleum products—for plant machinery, for company cars and trucks, or in any other way—it will pay you to see how Gulf makes things run better. Just call your nearest Gulf office.

GULF OIL CORPORATION

Dept. DM, Gulf Building
Pittsburgh 30, Pa.





Architect: Thomas M. James Company, Architects, Boston, Mass. Associate Architects: Perry, Shaw, Hepburn and Dean, Architects, Boston, Mass. General Contractor: George B. H. Macomber Co., Boston, Mass. Curtain Wall Contractor: Hope's Windows, Inc., Jamestown, N. Y. Panel Fabricator: Seaporcel Metals, Inc., Long Island City, N. Y.

Boston Bank draws more interest with walls of steel

When the Merchants National Bank of Boston built this four-story office addition, they made sure they would always have a new building that would attract bank customers. It's a porcelain-enameled steel curtain wall building and it will always look crisp and new with very little maintenance. The porcelain-enameled panels have a surface like glass, with a backbone of steel. A quick wash—or even rainfall—will keep the building mint-clean. The panels will never have to be painted, scraped, or refinished, and the colors will never fade.

Construction costs were low. Because the steel panels are strong and easily insulated, the walls were made thin and very light. This allowed the builder to use a lighter, less expensive foundation and framework. Labor costs were reduced because the walls were factory-assembled into floor-to-ceiling units that were delivered to the building site

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In Business Abroad

• • •

South African Company to Sell Certificates Redeemable in Gold

A newly formed South African company, International Gold Corp., last week announced a gold certificate plan that may find a big market in the U.S.

On Jan. 1, 1960, the company will begin selling bearer bonds at the current market price for gold, **plus a premium not to exceed 3 1/2%**. Each bond will be covered by the stated amount of gold, which can be obtained on surrender of the bond. The plan is backed by the Standard Bank of South Africa and gold dealers Johnson, Mathey & Co.

The certificates will be freely transferable, like currency. International Gold concedes the security disadvantage to this but thinks the risk will be outweighed by the bonds' potential as global currency.

The company expects a sizable market in the U.S. where residents cannot hold gold at home but can abroad. It also expects some speculative buying, on the possibility of a U.S. hike in the price of gold.

International Gold refuses to estimate sales volume, except that it will be small in relation to world stocks of gold and without effect on gold available for monetary reserves.

• • •

Chile Switching to New Currency Unit, Worth 1,000 of Present Pesos

Chile will put a new monetary unit, the escudo, into circulation on Jan. 1, 1960. The escudo will be worth 1,000 of the present pesos.

Introduction of the new monetary denomination follows authorization given Pres. Alessandri's administration last April to undertake economic reform.

Years of continuous inflation have devalued the peso to the point where 1,050 pesos are worth but one U.S. dollar. The Chilean government hopes the new money will restore confidence in the nation's currency.

The new currency will unravel one tangle right away. Working with calculations in pesos, business machines have often been unable to handle the big numbers. By lopping off the last three digits of the peso, the government is simplifying accounting operations.

• • •

Brazil's Trade Mission in Moscow Finds The Haggling Hard After Bright Hopes

The Brazilian trade mission in Moscow is finding the Russians hard bargainers. At midweek, the Brazilians reportedly were ready to sign a trade pact. But their once wildly optimistic forecasts of \$500-million yearly in two-way trade were being scaled down to about \$40-million.

The Russians, as feared, aren't too keen about buying lots of coffee. The Brazilians had hoped that Russia would take around 1-million bags a year (about the amount the U.S. buys from Brazil in one month). The Brazilians are also insisting that Russia sign an agreement forbidding re-exportation of Brazilian products into Brazil's established markets in Western Europe.

On the other hand, Brazil isn't much interested in buying large quantities of crude petroleum, which the Russians are pushing. Brazil has already contracted ahead for two years' supply. Refined products may be included in the deal, but the volume will not be large.

The Russians appear to be playing hard to get because they realize that Brazil, with a surplus of coffee, needs the Soviet business. They seem prepared to bargain even at the risk of losing a foothold in Brazil. If some sort of trade is worked out, it could lead to full diplomatic relations between the two countries.

• • •

Russian Airline Entertains Passengers With Movies and Push-Button Soft Drinks

To make the traveler's lot a happier one, Soviet Russian airline Aeroflot has introduced two passenger service ideas—movies in flight and self-served soft drinks.

The film *Ballet on Ice* has been shown on a liner flying the Moscow-Kiev route. To pick up the sound, each passenger is provided with a headset. Results of the experiment have been good enough to warrant installation of cinema units on other aircraft flying domestic routes, according to a spokesman.

In addition, aircraft flying long-distance routes will soon be equipped with self-service push-button dispensers serving tea, coffee, and soft drinks.

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Business Abroad Briefs

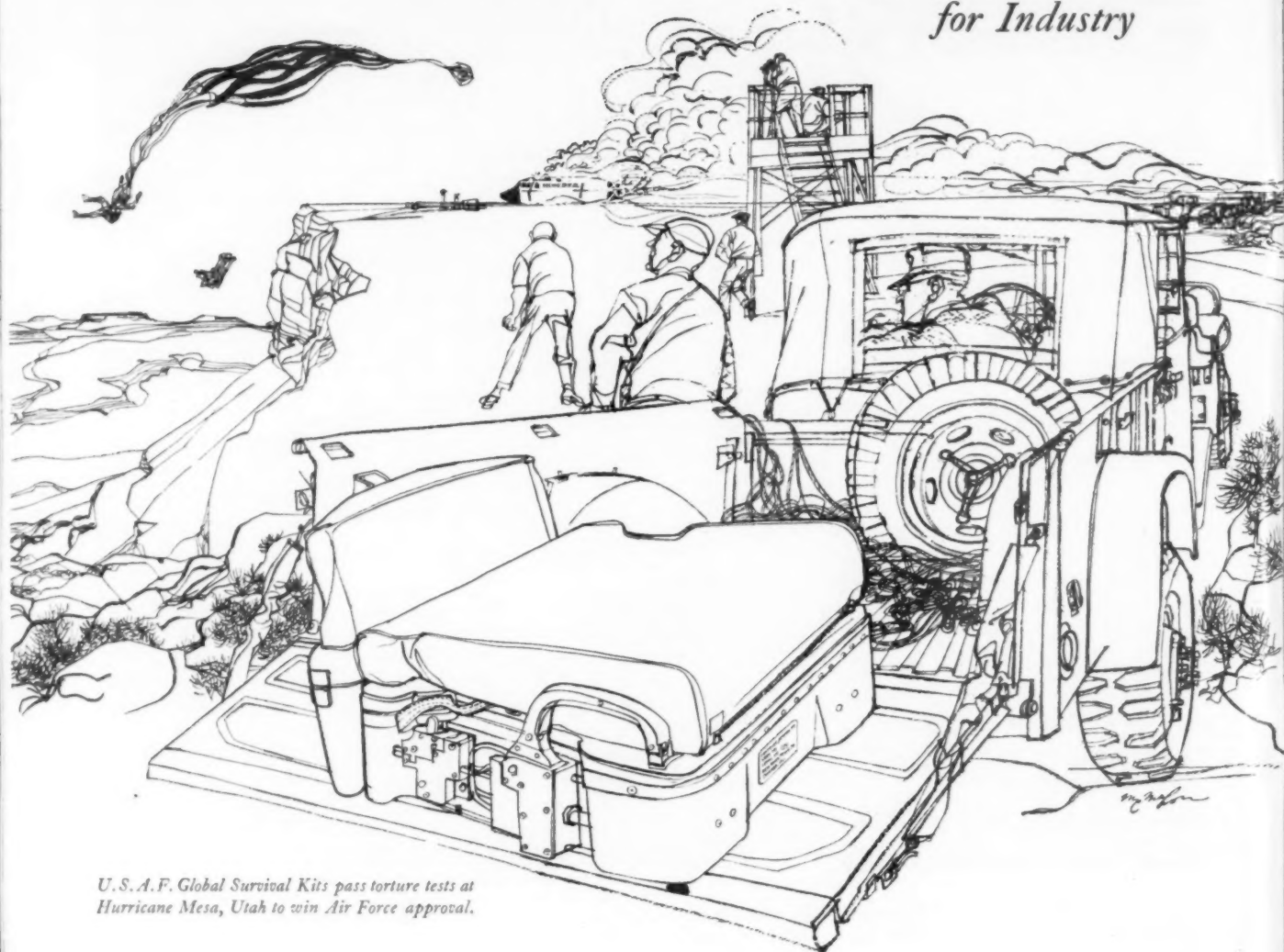
A group of 22 U.S. businessmen and government officials is spending a week in El Salvador to survey investment opportunities. They are interested in possibilities offered by the newly formed Central American common market (BW—Nov. 7 '59, p. 132).

Delegations of Russian and U.S. experts in cement and construction will exchange visits during the next two years. They will study each other's techniques as provided in the new two-year cultural exchange agreement.

West Germany, after two years of uncertainty, has passed a federal law on application of nuclear energy for peaceful uses. It puts nuclear projects in the hands of private industry. As a concession to the Social Democrats, the government retains some leeway on licensing reactor construction.

Although U.S. chemical equipment manufacturers will not sell to Russia, their British counterparts will. P. G. Engineering will fill a Soviet order for a complete plant to manufacture polystyrene.

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TRADE MARK

Capital Gains Get the Treatment

Tax pros tell House probers the rules need simplifying. One recommendation: Raise capital gains rate, lower ordinary taxes.

When the Eisenhower Administration took office in 1953 two of the chief goals of its tax program were to simplify capital gains taxation and lower capital gains rates. Seven years later, its zeal for reform spent, there is still no fundamental change.

The rates are as high as they were in 1953, and the maze of capital gains provisions is more complex than ever: "Formidable almost beyond belief," Stanley S. Surrey, professor of law at Harvard, told the House Ways & Means Committee last week.

Surrey was one of a panel of experts called in by the committee to take a look at capital gains taxation, as part of a study the committee is making into the entire federal revenue system. Six other panelists—three economists and three tax attorneys—agreed that new and simplified rules are needed to keep a bad situation from becoming worse.

• **Complexities**—Rate reduction is still being pushed with as much energy as ever. The panel had a wide variety of ideas on this point. And the day before the hearings, the Investment Bankers Assn. asked Congress to reduce the maximum levy on capital gains from the present 25% to 12.5% and to apply the lowered rate to only a small part of assets sold in a given year. The securities industry and other business groups have long maintained that a lighter tax burden on realized gains would unlock large sums for new enterprises.

The trouble is, the treatment of capital gains in the tax laws has become so enormously complicated, so loaded with economic, legal, and political controversies, that a simple answer like rate reduction no longer seems adequate to the men who write the country's tax laws.

I. Blessing or Curse?

Preferential treatment for realized capital gains is hotly defended as the last opportunity left to build a personal fortune. It is just as hotly attacked as the most abused loophole in the revenue system—and one designed to favor well-to-do property owners at the expense of those who work for salaries and wages.

Some of the difficulties were highlighted in the hearings by repeated clashes between two former tax ad-



REUBEN CLARK, tax attorney, urged eliminating tax on a gain that is reinvested.

visers to the Administration—Reuben Clark, now a tax attorney in Washington, and Dan Throop Smith, professor of finance at Harvard (pictures). They could not even agree on the starting point: whether gains from the sale of capital assets differ in any fundamental way from ordinary income. Smith said there was a fundamental difference. Clark said there wasn't. Clark believes it is feasible to excuse all realized gains from taxation if the sums involved are reinvested. Smith is impressed by the administrative problems in any such step.

These clashes gave the committee an insight into the big reason for the Administration's failure to present a broad capital gains reform program of its own—inability to agree in its own councils. Equally sharp differences are certain to plague the committee when it tries to rewrite the capital gains provisions—as key members, including Chmn. Wilbur D. Mills (D-Ark.) plainly would like to do.

• **Present Law**—The law now allows gains realized when capital assets are sold or exchanged to be taxed at half the rates that apply to ordinary income, up to a maximum of 25%—at which point there is no further rise in the levy. This 25% top begins to become effective for married taxpayers with incomes of around \$36,000. On the loss side, the law now allows capital losses to be deducted from ordinary income only up to \$1,000 a year.

The lower rates on capital gains lead to a sharp variation in the effective rates of taxation in upper income brackets.



DAN THROOP SMITH, Harvard, stressed difference between capital gain, income.

One panelist, Merle H. Miller, Indianapolis attorney, presented a table showing that in the \$50,000 to \$100,000 bracket, taxpayers with substantial income qualifying as capital gains paid an effective rate of 33.6%. Taxpayers in the same bracket who had to use the normal income tables paid 43.3% tax. If your income is above \$100,000 a year, the tax savings possible through capital gains are even bigger.

• **What Is Income?**—The question underlying so many business tax problems—how to define income—is particularly acute regarding capital gains. At one extreme, some would excuse gains from any taxation—the policy followed by Canada and the United Kingdom. Their theory is that a tax on capital growth is really a levy on capital and therefore not within the scope of an income tax at all.

Up to 1921, this was also the view of the U.S. Congress. But in that year Congress voted a capital gains levy, on the theory that such gains represent real taxpaying ability when cashed in, regardless of the theoretical niceties.

• **Tree and Fruit**—Of seven panel members, Smith was the only one who gave any particular stress to the difference between ordinary income and capital gains. Such gains, he told the committee, are not ordinary income because "the gain is embodied in the capital at all times." Citing a favorite analogy of past economists, who thought of capital as a tree and the income as fruit, he said capital that was increasing in value was "merely a larger tree."

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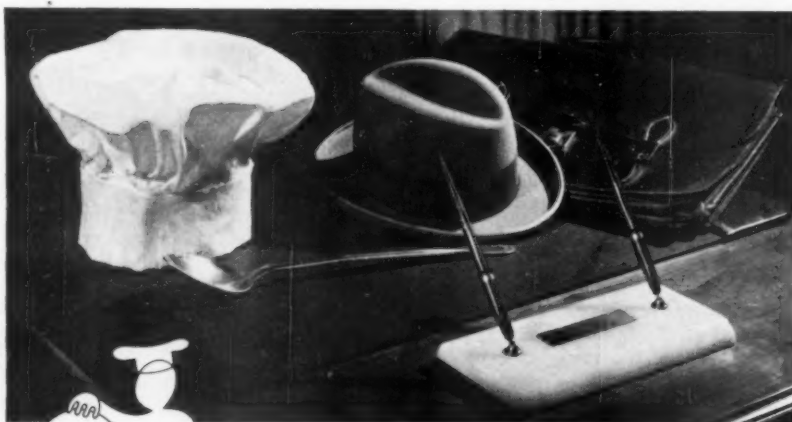
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call it fruit," he admonished the committee. But even Smith would tax capital gains when they are cashed in, on the ground that "they have a tax-paying capacity though they do not constitute true income."

The other panel members, led by Clark, saw no fundamental difference between capital gains and ordinary income when it comes to tax policy. If there is no difference, Rep. Howard H. Baker (R-Tenn.) wanted to know, then would they simply tax capital gains the same as ordinary income, withdrawing the preferential treatment now in the law? Only Surrey seemed interested in this approach, and then only if the rates on ordinary income were significantly lowered. The others agreed that to stimulate investment for economic growth, if for no other reason, special treatment should be retained.

• **Help to Reinvestment**—After a lively three-hour discussion, a majority of the experts recommended strongly that the levy on gains should be eliminated altogether when the gains are reinvested in the same year. Clark presented the most tightly reasoned case for this revolutionary solution. "Defer the tax on realized gains to the extent they are reinvested, but tax in full at ordinary income rates gains that go into consumption," he recommended. He also would make it no longer necessary to hold a capital asset for six months to qualify for capital gains treatment.

Miller supported this idea.

"What a man does with the money is the important thing," Miller said. "If a taxpayer sells capital assets and buys a yacht or goes to Florida on his profit, hit him hard," Miller advised. "But if he reinvests, don't tax him at all."

Even the present preferential rates are entirely too high in the case of a man who bought American Motors at \$6 and now would like to sell at \$90 and shift into other stocks, Miller argued. He pointed out that Congress has already recognized the principle of tax-free investment shifts in the case of dwellings and in rules that allow a farm—for example—to be exchanged tax-free for an office building.

II. Razing Tax Shelters

If this would solve the problems of the reinvestor, the panel backed ideas that would cause headaches for millions of others enjoying capital gains benefits.

Leonard Silverstein, Washington, D. C., attorney, told the committee the capital gains basket is overflowing with special benefits having no relation to capital gains as such, but granted by Congress as a method of relief from high ordinary rates.

• **Assault on Options**—Capital gains treatment for profits made by corporation executives through stock options



ARMY'S PERSHING MISSILE GUIDANCE PLATFORM BUILT IN "SUPER CLEAN" ROOM

The U. S. Army's Pershing missile represents a dramatically new concept in warfare.

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are assembled in a "super clean", air-conditioned "building within a building," equipped with "airlock doors" which make it impossible for dirt and dust to enter. Technicians wear lint-free suits and gloves when working in the clean area. Tests show the area is kept 99.95% free of dust particles larger than three-tenths of a micron (12 millionths of an inch).

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This illustration represents no particular missile, but shows the general location of various airborne Bendix systems and their components.

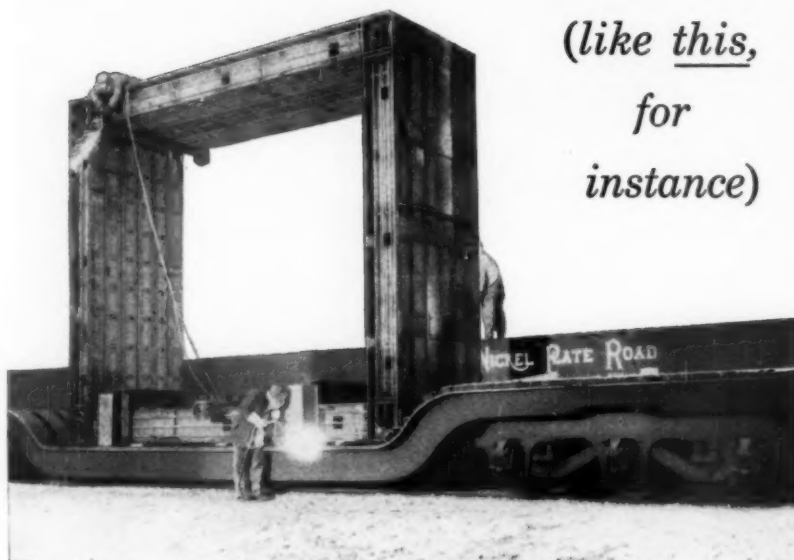


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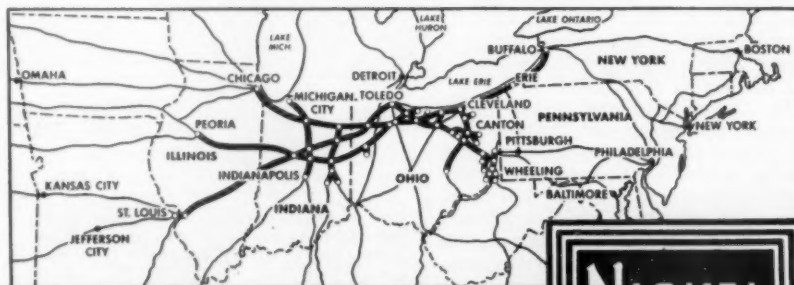
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came in for particular attack. Smith was the only panelist to defend the practice; he admitted such profits were not capital gains in the pure sense of the term, but said some sort of special treatment was needed so corporations could attract top-quality executives.

Surrey spoke for the majority, saying stock options did not involve the true capital gains "by any stretch of the imagination" and were simply a device to lower tax rates on income received for services.

Many private pension plans have an optional lump sum form of settlement on retirement, and such sums can be handled as though they were capital gains to the recipient. This, too, is not a bona fide capital gain and should be eliminated, the panel agreed.

• **Miscellaneous Gains**—Chmn. Mills ticked off a list of additional transactions that can be treated as gain from capital under the present law: Sale of articles written off for tax purposes under the depreciation allowances, patents, breeding livestock, standing timber, coal royalties, and business good will. Funds involved in some corporate distributions can also be brought under the capital gain tent.

"Have we gone astray?" Mills asked. The panel thought that Congress had.

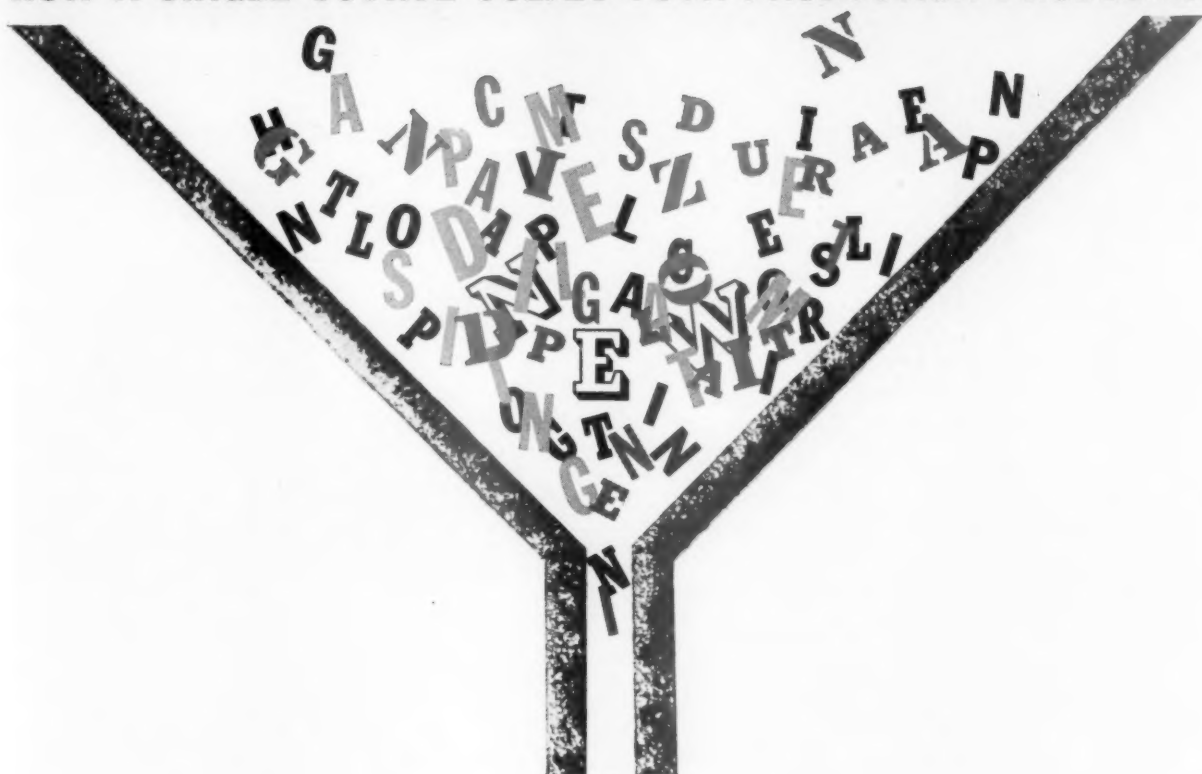
Miller argued that simply stripping capital gains treatment from especially favored areas would not solve the problem. "You did it for good reasons to soften the harsh impact of high ordinary rates," he pointed out. "You will have to establish a new classification for some of them if you withdraw the capital gains protection."

Harold M. Groves of the University of Wisconsin, the dean of academic tax experts, stressed what he called the greatest capital gains loophole of all—failure of the present law to exact a levy on increases in the value of capital assets when the owner dies. There is no tax on capital accretions except when the property involved is sold or exchanged. If it is handed down from one generation to another, there is no tax at all; he estimated that four-fifths of capital gains thus escape taxation permanently. He told the committee a tax invoked at death would yield somewhere around \$1.2-billion.

• **Higher Rates?**—The suggestion of the investment bankers that a reduction of the tax on gains would solve the chief difficulty—locked investments—got one explicit supporter on the panel. Smith suggested that Congress establish a graduated scale of levies, with a rate of around 10% on assets held for long periods of time, perhaps five or 10 years.

Most of the panel thought capital gains rates should be increased, if anything, and ordinary rates reduced so the gap would be narrower. **END**

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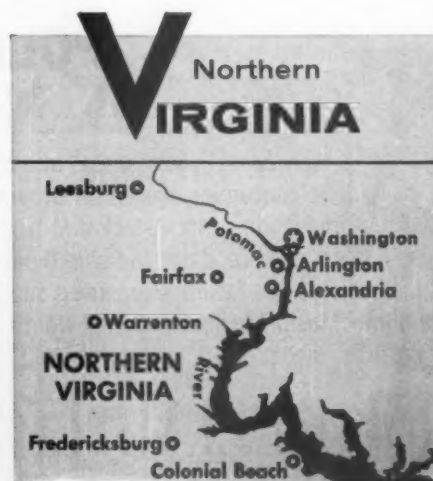
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In Management

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Promotion Leads to Management Training Rather Than the Other Way Around

Advancement to a better job often follows attendance at a university management development program. However, a recent University of Illinois study shows, that doesn't necessarily mean that such courses affect an executive's promotability.

Rather, the relationship is the other way around. More than four-fifths of the 60 companies surveyed said that promotion—either recently awarded or impending—was the chief factor influencing their choice of a man to send to an outside training program.

A few companies cautioned that such selection did not always imply an impending change in status. But evidently most people in the company think it does; the tendency of co-workers to put a favorite son label on the trainee was one of the chief objections to participation in such programs.

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O. V. Tracy Named President Of Esso Standard Oil

Esso Standard Oil Co., soon to become an operating division of Jersey Standard's new over-all domestic subsidiary Humble Oil Refining Co. (Del.), last week got a new president. He is O. V. Tracy, a lawyer who has been an Esso Standard vice-president for three years. He succeeds William Naden, now an executive vice-president of Humble of Delaware (BW—Sep.26'59,p70).

Other new presidents:

E. W. Sloan has been made president of Oglebay Norton Co., Cleveland corporation that was formed last year to consolidate 10 lake shipping, coal, and iron ore companies in which the Oglebay and Norton families had interests (BW—Feb.15'58,p162).

William T. French, president of the Pepsodent Div. of Lever Bros. Co., has been elected president and chief executive officer of Associated Merchandising Corp., wholesaling and jobbing outfit owned by 27 big department stores.

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Outlook for '60 College Grads: More Openings, Higher Salaries

Right now job prospects look bright for next year's college graduating classes. Companies expect to hire 19% more graduates in 1960 than they took in 1959, and starting salaries will average about 2.5% higher.

These are the chief conclusions reached by Frank S. Endicott, Northwestern University director of placement, from his latest survey of corporate recruiting plans.

Generally, those plans call for stepped-up activity on the campuses. More than half of the companies in the survey will visit more schools next year.

Once again, engineers will be the favored group. Endicott estimates that companies will offer engineering graduates about \$515 a month (up some \$80 over 1959). For accountants they will pay an average of \$450 a month; for salesmen, \$434; and for general business trainees, \$424. He expects the average starting salary in all fields to be \$458, compared to \$447 this year.

Even though companies want more college recruits, they are not 100% satisfied with those they have hired in the past, the survey shows. Many college seniors put too much emphasis on getting management positions, are reluctant to accept routine training assignments.

That was by far the most frequent criticism. A number of companies also complained that their recruits showed inadequate understanding of business; teachers, they suggested, should learn more about the business world. And, the employers said, too few students can write clearly and concisely or speak effectively.

Less than two-thirds of college recruits are still with their original company at the end of five years, the survey showed. In part, that is the companies' fault, the employers conceded; they felt they had to provide more challenging and interesting responsibilities, with systematic appraisal and recognition of achievement.

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Management Briefs

Neele E. Stearns, who resigned the presidency of Crane Co. last spring when H. K. Porter Co. Chmn. Thomas M. Evans took over Crane as chairman (BW—May2'59, p28), is switching to the academic world. Next month he will become director of the University of Chicago Graduate School of Business' executive program. Before joining Crane, Stearns had been vice-president for planning of Inland Steel Co. and president of Inland Steel Products Co.

The first farmers' cooperative ever to buy out the leading company in its industry now owns the property completely. Three years ago the National Grape Cooperative Assn., Inc., acquired a controlling interest in Welch Grape Juice Co. plus a \$13.5-million mortgage (BW—Sep.1'56,p91). Last week co-op representatives met to dine and burn the mortgage.

Correction: Cadillac Associates, Inc., Chicago employment agency claiming to be the nation's largest executive and professional placement and procurement firm, expects to have 1959 gross income of \$1.5-million, entirely composed of fees for placements.

BUSINESS WEEK stated (BW—Dec.5'59,p143) that Cadillac collects about a third of its fees from managements who are hunting men and the rest from men hunting managements. Actually, according to Lon D. Barton, Cadillac president, the agency's executive counsellors devote approximately one-third of the time to procurement of men for client companies and two-thirds to locating positions for candidate clients. However, Barton adds, more than 95% of charges are paid by employing corporations.



Seeds of iron to grow more steel

These pellets of concentrated iron make ideal "feed" for blast furnaces. The result of extensive research, they are made from taconite, a low-grade ore once considered worthless. Billions of tons are available in Michigan, Wisconsin, and Minnesota.

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formed into little balls that contain more than 60 per cent iron. It takes three tons of taconite to produce one ton of pellets.

Producing about 16 per cent of the country's steel, Bethlehem requires about 22 million tons of ore annually. The millions of tons of pellets now being produced each year from taconite are new seeds that help to assure continued growth of the steel industry. And the nation is assured of new and vast reserves of iron close at hand.



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CLOSELY PACKED homes, like these in Menomonee Falls, Wis., push up municipal costs far above new revenues—raising question . . .

Can Suburbs Control the Tide?

Outlying areas try to ease financial strains of growth by "upzoning" and making builders share costs—with varied success.

Of the 700,000 or so one-family homes built every year in the nation's metropolitan areas, four-fifths go up in the suburbs. Every new development needs new schools, water, sewer, and other municipal services—and it's no secret today that providing these often becomes a burden for the small city, township, or school district.

So it's hardly surprising that with each big year of homebuilding, such as this has been, there's a clash between two conflicting pressures: the inexorable outward push of population, and the resistance set up by governments to the multiplying demands for services, in an effort to keep from sinking under the financial burden. Their efforts take the form both of trying to erect zoning dikes to channel the oncoming tide and of trying to get the developers to assume part of the burden. Both meet with varying success.

• **Top-Heavy**—The burden rises in proportion to the population influx. For example, in the Milwaukee suburb of Menomonee Falls (picture, above and story, page 94), 100 acres with four homes to the acre would jump the school district's operating costs by an estimated \$175,000 while bringing in only \$80,000 in taxes. But 100 acres with only one home to the acre would increase operating costs by only \$44,000, yield as much as \$28,000 in taxes.

Except where a community is made

up of wealthy residents or is fat with industry, the suburban governments become pinched. Their tax rolls, as compared to the central city's, are top-heavy with homes, and as a consequence their homeowners must bear a proportionately greater share of government costs.

The result is often a hot battle of words between suburban governments, representing the old residents, and builders, representing the new. The towns accuse builders of wanting to get rich by turning the countryside into acres of look-alike homes, and developers retort that they have to go farther and farther out to find raw land for the homes people want.

• **Seeking a Way Out**—But even while the epithets fly, the demand for suburban homes continues strong. It's clear that eventually it must be up to government to accommodate the need of a growing, shifting population.

Now, though, governments strive to fend off at least part of the burden. Many communities are trying to space out their growth by discouraging new homes at the lower end of the price scale—where there are more homes to the acre—or are asking from the builders a sort of subsidy-in-reverse in the form of cash or land. These communities are trying three main methods:

• **Upzoning**—raising zoning rules from a home for every half acre to a home for every acre, for instance.

• **Raising building permit fees**—charging more for the privilege of building a house, with the aim of using the money to offset some of the costs the new house imposes.

• **Requiring dedication of land**—

asking builders to set aside land for schools, parks, or other public uses.

• **Most Successful**—Communities generally have been most successful with upzoning. By holding down the density per acre, they have upgraded the type of income group living there. An average suburban lot of 7,500 sq. ft. may suggest a home costing \$17,500. By raising the minimum to 20,000 sq. ft., a city automatically raises the type of home to one costing around \$27,500.

Of course, cities may run into difficulties—a public petition to repeal a rezoning, as in Columbus' suburb of Worthington, in Ohio, or a state law in Massachusetts barring in the future a minimum "living space" per home as high as the 1,200 sq. ft. that had been set by Chelmsford.

Often, the upzoning of an area has landed in the courts. A study by Prof. Philip A. Ryan of Georgetown University Law Center, however, shows that courts have tended to support communities endeavoring to preserve their general character.

In a typical case, a developer wanted half-acre zoning in Easttown Township, Pa.—a suburb of Philadelphia—which required one-acre zoning. The Pennsylvania Supreme Court upheld the township, saying: "Certainly a residential lot of one acre in a rural and agricultural locality cannot justifiably be adjudged zoning for exclusiveness." Courts have even backed exclusive zoning where a community had an exclusive environment to begin with—a Connecticut state court, for example, upheld New Canaan's upzoning to four acres.

Ryan is doubtful, though, whether

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communities will continue to be so fortunate in the courts. "It may be," he writes, "that in the future population pressures and public need will bring courts to restrict local police power."

• **Help From Builders**—Communities have had less success in trying to finance new growth—or discourage it—by raising fees. Courts, Ryan found, have overruled cities that raised fees unreasonably—to cover more than the cost of running the building permit department. The Michigan Supreme Court minced no words in throwing out increases by St. Clair Shores and Redford, which amounted to raising fees from \$26 to \$91.50 for an average \$10,000 house. It said: "The police power may not be used as a subterfuge to enact and enforce what is in reality a revenue-raising ordinance."

The late chief justice of the New Jersey Supreme Court, Arthur T. Vanderbilt, took a municipality's motives into consideration when his court overruled the borough of Point Pleasant in a similar case. "The philosophy of this ordinance," he asserted, "is that the tax rate of the borough should remain the same and the new people coming into the municipality should bear the burden of the increased costs of their presence. This is so totally contrary to tax philosophy as to require it to be stricken down."

The pattern of compelling developers to dedicate land for public use is a mixed one. A community's right to require dedication, says Ryan, has not been tested adequately in the courts. Developers generally have accepted the burden of putting in streets, curbs, storm water drains, sidewalks, water mains, sanitary sewers—but have balked at setting aside land for such uses as parks and schools.

It's probable, Ryan suggests, that such land can legally be acquired only by eminent domain with due compensation to the developer—not taken free as a condition of approving the plans.

• **Other Hopes**—Some communities have looked for help to Washington, hoping they might at least be able to borrow federal money to help them cope with growth. This year, the National Assn. of Home Builders, after overcoming opposition in its own ranks, tried to give cities a hand by backing the community facilities bill in the House, which would provide federal aid for sewer and water facilities. But, like bills for federal aid for schools, it never got out of committee.

The association is also trying another tack—encouraging local solution of local problems by bringing builders and city officials together at "community growth conferences."

For a closer look at how one community is handling its growth, turn to page 94.

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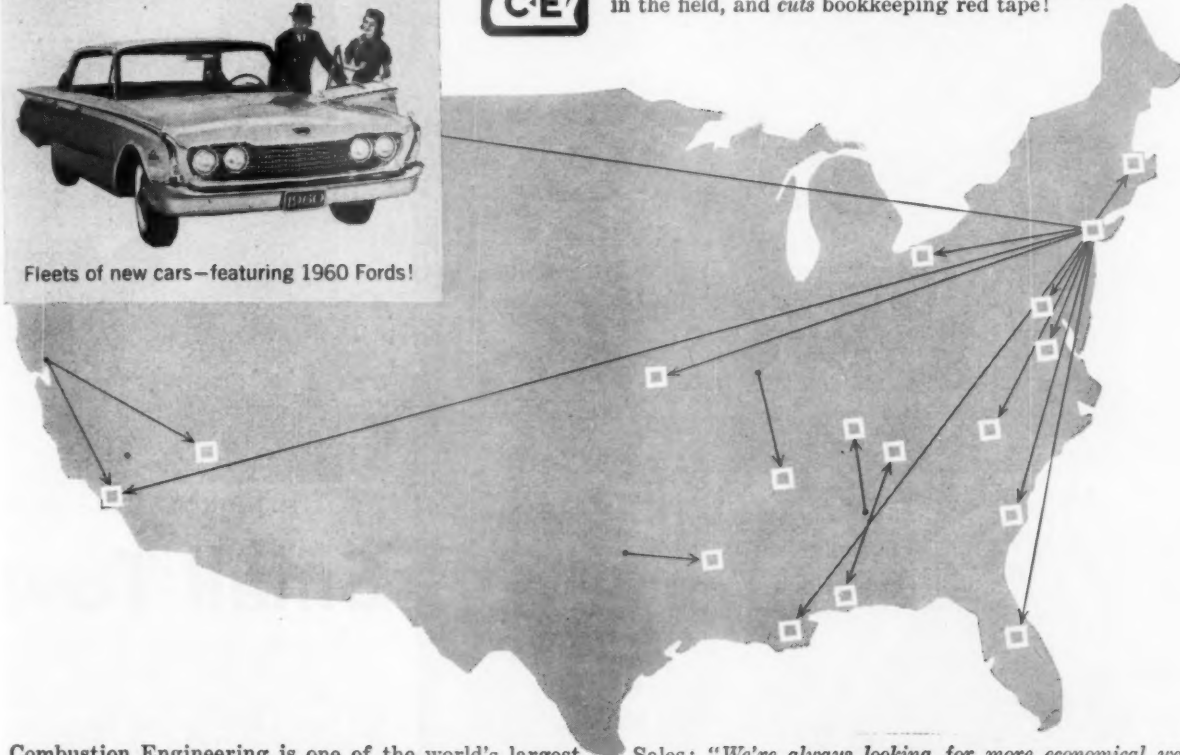


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and planning commission hear recommendations of consultants William Nelson (bending over) and Charles Ball (arms folded).

Spaces Its Growth

• **History**—To appreciate what is behind it all, you have to know something of the background of the community. Today's village of Menomonee Falls, with an area of 32 sq. mi., is the product of annexations. Last year, the old village of Menomonee Falls (1½ sq. mi.) swallowed the larger old town of Menomonee. The old village had a couple of industries employing 500 people and was reasonably self-sufficient. In 1950, it had a population of only 6,262. The old town, dating back to 1848 when Wisconsin became a state, was the village's hinterland.

Then came the suburban boom. Families poured out of Milwaukee, 12 miles to the east. Today, the new village has more than 15,000, and expects to pass 25,000 in 1963.

The newcomers were mostly blue-collar workers, and practically all headed for the rural area that used to be the town. They tended to have more children than the average family in the region, and the children were younger.

Family incomes and expenses limited them to homes ranging from \$15,000 to \$20,000. That range meant lots from 7,200 to 12,000 sq. ft.

• **Dilemma**—The consequence of large families and small lots was predictable: more people per acre, requiring more services. You can get an idea of what this means in dollars: If you put 400 homes on 100 acres in Menomonee Falls, you get 500 children attending public schools (the others go to parochial schools) at an operating cost of \$175,000 to the school district. If you put 100 homes on 100 acres, you get 125 public school students and a cost of \$44,000. In addition, either way, you figure the capital cost for new classrooms at \$25,000 for every 35 children.

But new homes alone don't pay for the increases in costs that they cause. The school district would receive about \$80,000 in taxes from the 400 homes (average cost: \$15,000, assessed at 1956 value of \$10,000). The 100 homes (average cost \$22,000, assessed at \$14,-



SCHOOLS are becoming crowded. The village has just built one grade school, now needs another as well as a new high school.



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300), which would incur a school operating cost of \$44,000, would bring in about \$28,000 in taxes.

So far, the growth of Menomonee Falls has not required new municipal services across the board. The village is still pretty well off from the standpoint of water and sewer facilities. But it needs a new elementary school and a new high school.

• **Steps**—Unfortunately for the village treasury, the new population did not bring a commensurate increase in non-residential construction. As a result, industry's share of the tax roll has been diluted to 7.5%, while residences account for 75%.

Last winter, the village decided to try to soften the blow to homeowners by regulating the community's growth. So it hired Nelson-Ball & Associates, planning consultants. Zoning in the village has been makeshift at best. It permitted highly intensive use of land by providing for minimum lots of 6,500 sq. ft. Nelson-Ball was to make the necessary studies and projections, then recommend land uses.

While they were drafting a proposed zoning ordinance, the consultants persuaded the village board to require developers to:

• Donate \$120 per lot for schools and \$80 per lot for park and recreation purposes—or that much in land.

• Reserve potential sites for public uses or open spaces as the Planning Commission might recommend.

• **Board's Defense**—Developers hesitate publicly to criticize the board for its new conditions. One builder, however, acknowledged that he could see the village's viewpoint, but called the \$200 fee "specialized taxation without representation."

In defense, Horace Trenary, president of the village board, pleaded: "We built a new grade school this year for \$230,000. That'll accommodate about 280 children. We're asking new residents—they're the ones who'll eventually wind up paying that fee—to provide \$120 of that money. We wouldn't need the new schools if they hadn't come."

While the developers were waiting on one another to start court action to test the legality of the fee, the new zoning ordinance was offered to the village board for approval, and, this month, to the public at hearings.

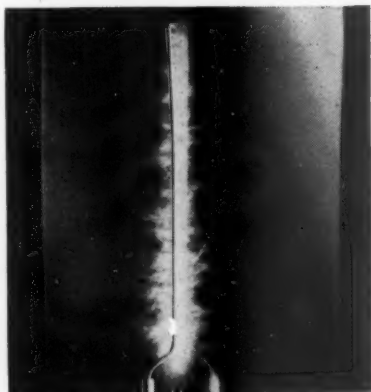
Trenary feels that the village is not being as tough on developers and new residents as it might have been. Its moderate position is not entirely altruistic, however. "Some people will tell you that we shouldn't allow any low-cost homes," Trenary said. "Then in the next breath they say we have to get industry. They don't understand we'll have to have some place zoned for workers when we get it." **END**

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parts—by lining with wax, installing racks and filling with rust-removing acid.

- Obtained dispensing equipment to replace that missing.

As a result of this kind of help, 897 finished worms for motor driven valves were saved and delivered to the customer on time... saving LFM \$36,000. In addition, 1705 gallons of oil were identified and reclaimed. Everything possible was done to protect machines and restore normal production.

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Mayors' Group to Ask Congress For Aid to Commuter Railroads

The American Municipal Assn. agreed last week to ask Congress for federal aid to sustain commuter railroad service. At its convention in Denver, the association bought a proposal that had been hammered together by a committee of big-city mayors led by Mayor Richardson Dilworth of Philadelphia and railroad officials.

The key points of the committee proposal: (1) federal loans "where necessary" to cities or authorities for new commuter equipment and improved facilities and for improved intra-city mass transportation; (2) a study of the need for federal grants to cities or authorities that have "sound" plans for improving commuter systems.

AMA's approval of the package was not surprising. But it was significant that the Eastern and Western railroad men on the committee agreed. Earlier this year, they couldn't get together. Easterners advocated subsidies; Westerners opposed them (BW-Jan.17'59,p32).

Who backed down? Pres. Clair M. Roddewig of the Assn. of Western Railways insisted he held firm in his opposition to direct subsidy to railroads and agreed to nothing more than "a study" of the need for federal grants to local governments. But Eastern spokesmen said Roddewig had refused to agree to anything before this.

. . .

Seaway Traffic in First Season Falls Moderately Short of Estimates

The first season of navigation on the St. Lawrence Seaway ended last week with tonnage falling short of the estimated 25-million, but still close to a respectable 20-million tons.

Part of the overestimate can be blamed on the rough-guess nature of the forecast. Other causes: a delayed start of navigation due to a late thaw, the impact of the steel strike on iron ore shipments, and a drop in sales of Canadian wheat.

. . .

Challenge to Kentucky's Veterans' Bonus Sure to Reach State's Highest Court

An amendment to Kentucky's Constitution, providing for a bond issue of unknown size to pay bonuses to veterans or their heirs, has wound up in the courts. Adopted surprisingly last month (BW-Nov.7'59,p36), the amendment could cost as much as \$450-million, depending on how many claimants turn up.

The Associated Industries of Kentucky sued to throw it out on grounds that (1) the ballot failed to say how many would be eligible and (2) the legislative act authorizing the referendum failed to list those eligible.

A lower court temporarily restrained the State Election Commission from certifying the vote. The question is sure to reach the Court of Appeals for a final say.

. . .

White Protests at Negro Resettlement Imperil Atlanta's Urban Renewal Plans

The city of Atlanta this week found itself with a sticky situation that could strain its moderate Negro-white relations and upset its urban renewal program.

The Board of Aldermen voted, 11 to 3, not to rezone a tract on which the Housing Authority wanted to build housing for 350 Negro families displaced by its slum clearance program. The board acted after protests went up from white groups in the area when its zoning committee deadlocked on the question.

The tract is bordered on three sides by Negro homes, on the fourth by an industrial belt that separates it from white neighborhoods. Because the authority couldn't get rezoning for a tract so situated, no one is betting how aldermen will react to an application for rezoning another tract for 650 more families.

"If we can't rehouse," said Mayor William B. Hartsfield, "the future of urban renewal is very bleak."

. . .

Buffalo to "Reconsider" Reassessments As Boosted Homeowners Scream

An effort to correct inequities in Buffalo's property assessments backfired this week. After an appraisal that took three years, all the property in the city was revalued an average of 30% higher. Homes led the list with a 40% increase. But, to help hard-pressed merchants, downtown values actually were reduced.

The revaluation roused a stormy march of homeowners on city hall. Immediately, politicians tried to wash their hands of the whole thing. Democratic Mayor Frank A. Sedita asked the assessment board to put off the effective date, and the board's single Republican urged that its handiwork be recalled. This week, after little discussion, the board agreed to "review" it all.

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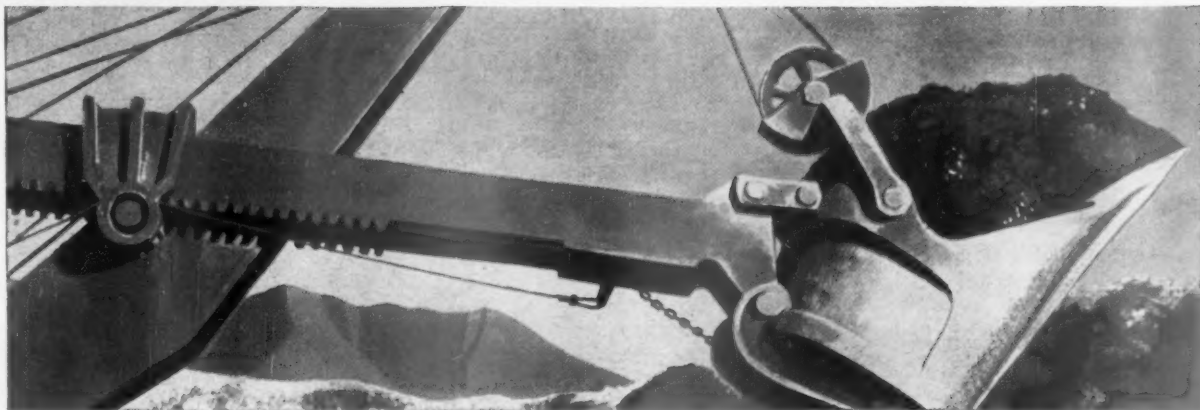
Downtown Houston's Complex To Rival Rockefeller Center

On a tract somewhat smaller than Rockefeller Center, the heirs and business associates of the late oilman H. Roy Cullen will build Cullen Center in Houston.

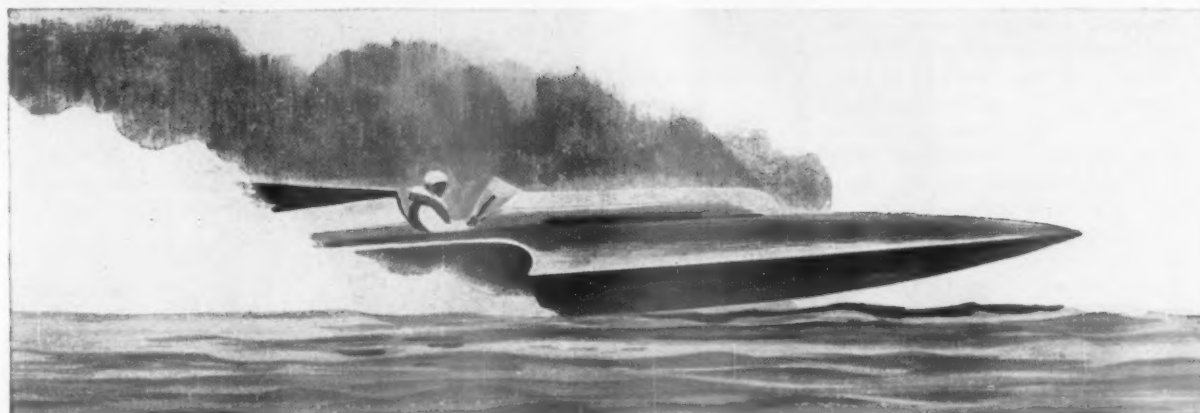
The center will cover 521,586 sq. ft. (vs. 631,856 for Rockefeller Center), include five buildings (vs. 16): three office buildings, a hotel, and an apartment house.

Cullen began to assemble the tract eight years ago. His interests now own 80% of it, have leased the rest for 99 years. Clearing begins next month for the first stage—one office building and the hotel. The various Cullen trusts are prepared to finance the project, but their officials are confident they won't have to.

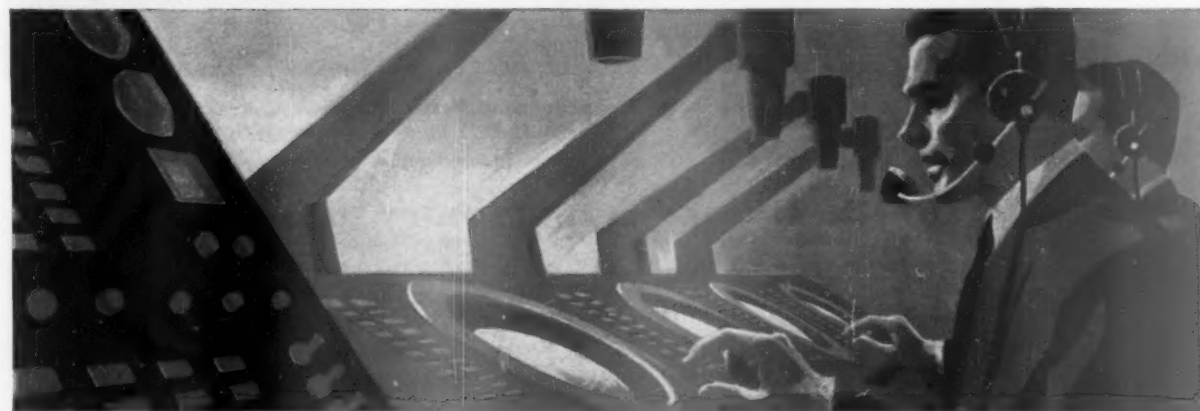
for power...



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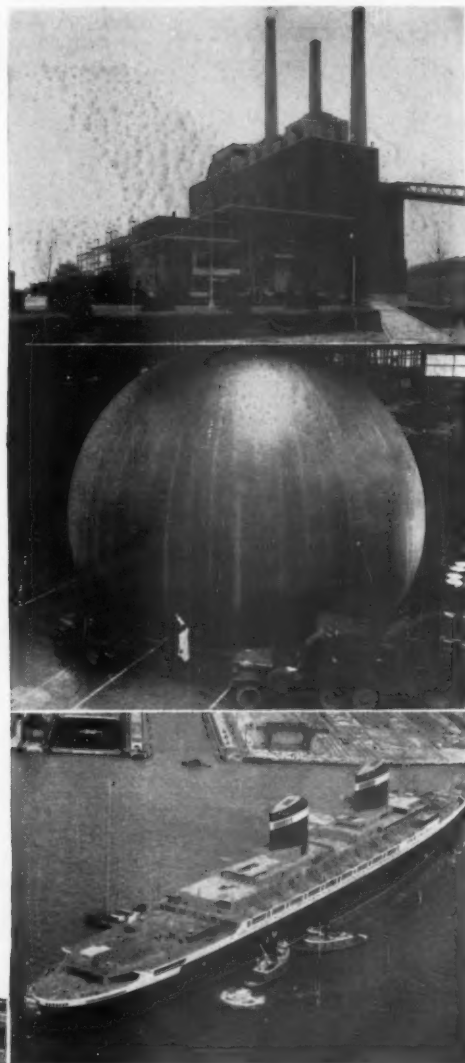
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Above: "Buffalo" Fans supply air for Socony-Mobil Building. Above right: Hundreds of power plants depend on "Buffalo" Draft Fans. Center: Radomes inflated by "Buffalo" E Blowers. Lower right: S.S. United States ventilated by "Buffalo" Fans.

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What Darwin Means to the Space Age

For the past hundred years, questions raised by Charles Darwin's *Origin of Species* have provided scientists with a fertile battleground. How did life begin? What happened before it started? Is the evolution of man completed? Does evolution mean progress? How did man develop mind? Where did society come from? How does culture shape the future? Is there evolution beyond earth? What is man's fate?

Distinguished thinkers have propounded many theories on these subjects. Some have been honest efforts at carrying Darwin's theory of evolution forward—to the point at which it might supply answers to some of the things troubling Twentieth Century man. Other interpretations of Darwinian theory, particularly as it applies to the evolution of the universe, have been balderdash—at variance with both the spirit and meaning of Darwin's thought and ideas.

Perhaps the most remarkable thing about the "miracle of Darwin," however, is the way scientists a century later are still riding on his coattails—rewording, reinterpreting, and rephrasing—but never really offering much fresh thinking or fresh reasoning on how the world of living things evolved. Through the first hundred years since his *Origin of Species* was published, Darwin has stood up against the onslaught of biologists, politicians, and religious leaders. He has weathered the technical revolution and the coming of the space age. And he has emerged from it all—stronger and steadier than almost any other man in the history of science.

• **Ideas That Stand**—How clean and clear his light still burns was quite apparent last week at the centennial celebration in Chicago, at which 47 of the world's present-day organic, inorganic, and social scientists gathered to discuss modern ideas about man and his planet.

There is no question any more that Charles Darwin's idea that man originated in Africa is in every way correct, according to the British anthropologist, Louis S. B. Leakey. Although the finding of the Java Man and Peking Man caused scientists some years ago to waver and to credit other areas as the "cradle of man," most of them now, in the face of fresh evidence uncovered by Leakey just last summer, have returned to the belief that Darwin was right all along. The evidence that convinces them is the partial fossil remains of an 18-year old "man" who lived 700,000 years ago in the Olduvai



Gorge area of Tanganyika Territory, British East Africa. This prehistoric being, called *Zinjanthropus boisei*, exhibits characteristics that foreshadow the genus *Homo*; therefore, scientists have decided to accept him as being in the direct evolutionary line leading up to *Homo*.

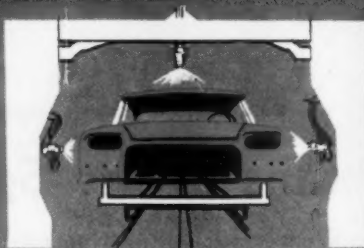
• **Continuing Process**—That man is still in the process of evolution is also accepted today as fact by most of the world's scientists, according to Sir Julian Huxley, grandson of Thomas Huxley, the British biologist who led the fight for Darwin's theory a hundred years ago. In man today, Huxley says, evolution is no longer random selection, and survival is no longer simply a physical phenomenon. But this is not a contradiction of Darwin at all. It's merely that selection, the process by which some forms of life survive and some disappear, is now operating in a different manner in man. There is a standstill in brain size and structural development. But selection is still going on in the rapid evolution of the human mind and nervous system.

In Huxley's view, the vast cultural revolution going on in the world today, with the accompanying socio-economic changes, is basically made possible by that evolutionary development. This proves, reasons Sir Julian, that "man's" destiny is to be the sole agent for evolution on the planet earth. If he does not destroy himself, this means that man has before him a stretch of time equally as long as the 2.5-billion years of "blind opportunistic workings of natural selection" that produced him.

• **Darwin and Life in Space**—Darwinian theory is even supplying much of the thinking in scientific circles today about what man may find when he first soars through space and lands on other planets. The same reasoning can be extended to the possibility of finding life on other planets, as Darwin himself used to explain how life came into being on earth. Life, scientists now generally concede, was a matter of chance. It came about as a consequence of certain events, arising out of conditions that happened to exist and substances that happened to be available at a particular time in the earth's history. Today that sequence of events could not be duplicated on earth, according to Dr. Harlow Shapley, of Harvard University. There are too many bacteria on earth today, and too much oxygen for the evolutionary process to start afresh now.

By current astronomical theory, however, there ought to be 10-billion or so other planets that could support life. It would mathematically be rather dangerous, therefore, not to assume that somewhere, on one of them, a similar evolutionary process once took place—even though higher forms of life did not develop on other planets in our solar system. The conditions on Mars are such, according to Shapley, that explorers may find low forms of life similar to algae and moss. On Venus, there is a slim possibility that lower forms of life exist. Outside our own solar system, however, the picture as to the possible evolution of higher forms of life changes completely.

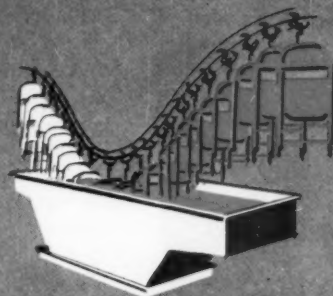
But what about the possibility of encountering virulent



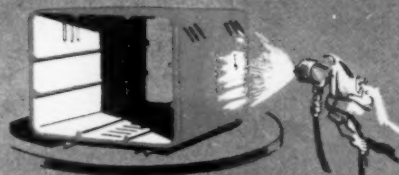
Automatic car painting



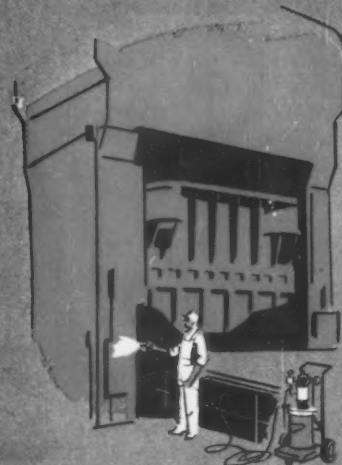
Fiberglass boat fabrication



High production coating of metal furniture



Quality finishing with built-in sales appeal



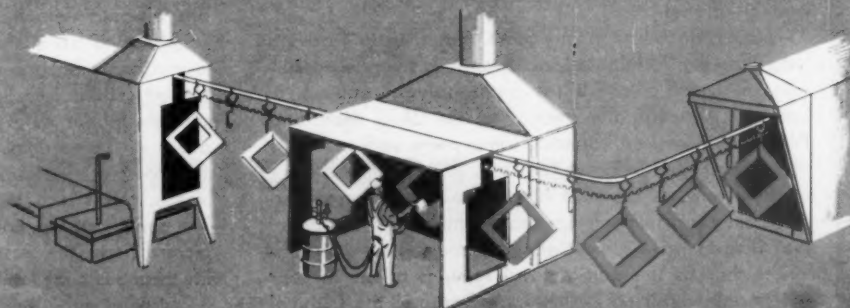
In-plant painting of bulky machinery



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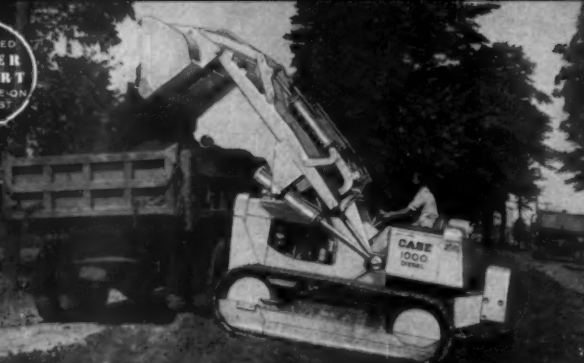
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(Continued)

germs in space? Darwin's grandson, Sir Charles Darwin, agrees with his American colleagues that there is little chance, under Darwinian theory, that this will be any problem at all to space travelers. Take the moon for instance. If it had ever been infected with spores from space, the chances are good that the moon's natural radiation would have destroyed them long ago.

• **Rephrasing Darwin**—In predicting what man faces in space, today's scientists are leaning as hard on old Darwinian theory for their ideas as their predecessors have for the past four or five decades.

Although they couch their suggestions in new, fancy terms, the world's scientists are even paraphrasing Darwin when they suggest the aims researchers should seek to achieve during the next 100 years. Basically, the most important thing, they agree, is to continue the search for new knowledge to "fill the tremendous gaps that still yawn" in knowledge of man's evolution.

Included in this search would be an organized attempt to find Pliocene fossils as old as 10-million years in the vast area between Africa and China, to determine if early "near-men" migrated eastward to become the ancestors of Java man, first found in Indonesia.

• **Unusual**—There is today still some dissension among anthropologists as to specific details of Darwin's theory of the evolution of life, of course. But the disputes concern minor points, not major concepts. The most remarkable thing that the Chicago centennial gathering brought out last week was not the way in which theories about evolution have sharpened in the past decades. Rather, it was the amazing position that one man still holds after 100 years of scientific advancement.

In other fields of science, there have been men of tremendous foresight and vision. In virtually no other field has one man, for so long, dominated the thoughts of so many.

One of pair of radiotelescopes operated by Boulder Labs, National Bureau of Standards.

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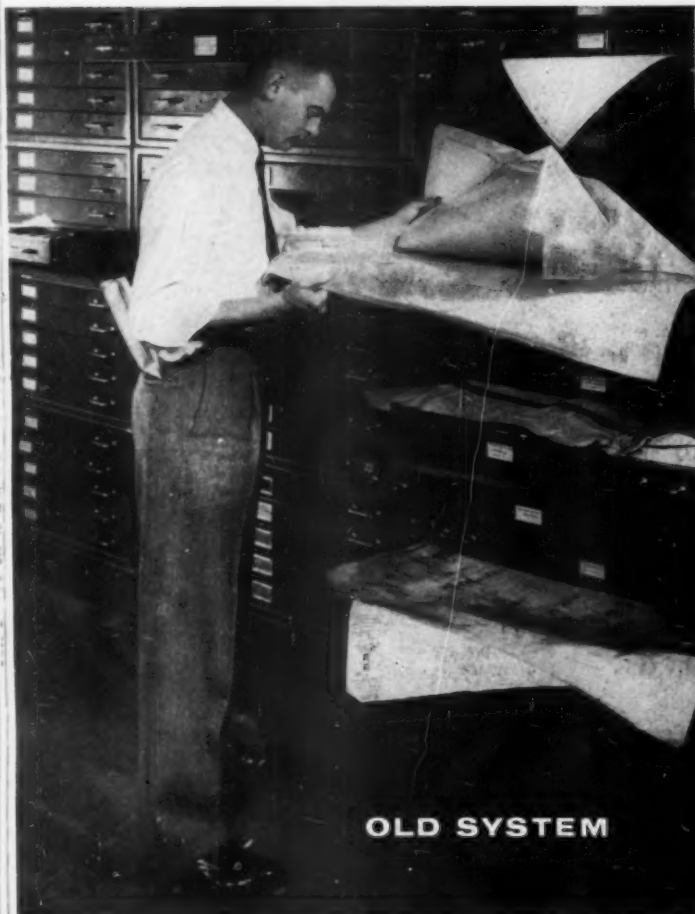
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In Research

• • •

Industry Makes Plea to Congressmen For Fast Tax Write-Offs for R&D

A plea for faster tax write-offs for research and development expenses was made to the House Ways & Means Committee last week by Robert W. Cairns, Hercules Powder Co., and William M. Horne, Jr., Olin Mathieson Chemical Corp.

The committee is making a comprehensive study of taxes. It is considering the possibility of removing the exemption from many kinds of income now legally escaping taxation.

Actually, there's little likelihood of further liberalizing of R&D expenses. But the committee isn't likely to recommend any tightening of regulations either.

At present, a company can deduct certain costs annually, or over a five-year period—which permits it to take larger deductions in years when profits are higher.

• • •

Liquid Hydrogen Rocket Engine Proves Successful in Early Tests

Pratt & Whitney Aircraft's new liquid hydrogen rocket engine, XLR 115, has come through its preliminary tests, and engineers now say there's no technical obstacle limiting the size of future liquid-hydrogen engines. This could be extremely important to the development of all future liquid rocket engines—both on the drawing board and in research stages.

Heart of the Pratt & Whitney engine is a new type fuel cycle, which operates on heat from the rocket's thrust chamber, thus eliminating the need for a gas generator. The liquid hydrogen enters the system at -423°F and is pumped immediately to the cooling jacket of the thrust chamber. Inside the thrust chamber other hydrogen already is burning in oxygen at a temperature near $5,500^{\circ}\text{F}$. This warms the liquid hydrogen entering the system rapidly and changes it into a gas. The expansion that takes place as the liquid hydrogen becomes gaseous drives a turbine, furnishing the power to pump more liquid hydrogen and liquid oxygen into the system. Thus the fuel plays three roles in the process: It drives the pump system and cools the thrust chamber, before it is burned to produce the rocket's thrust.

Experimental engines using the new process have:

- Operated for several minutes at a time on "hot"



test firing stands, starting and running under simulated space conditions.

- Achieved a rated thrust of 15,000 lb. This is small compared to the thrust needed to lift a large rocket off the ground. But it is ample thrust for space flight and return flights of small payloads from the moon.

- Produced 30% more thrust in proportion to the weight of fuel consumed than the fuels used in the first stages of most liquid rocket systems today.

Development of the XLR 115 was initiated a year ago by the Air Force and now is being directed by the National Aeronautics & Space Administration. An advanced version of it will be used to power the Centaur space vehicle, as well as one of the upper stages of Saturn, the 1.5-million-lb. thrust space rocket being prepared at the Redstone Arsenal, Huntsville, Ala.

In other rocket systems, the substitution of liquid hydrogen for more conventional fuels could also increase the rocket's efficiency. If a hydrogen system were added on top of the Atlas or Titan, for example, either the potential payload or the rocket's range would be doubled immediately.

• • •

New Treatment for Certain Cancers Uses Anti-Vitamin and Its Antidote

A new treatment for cancers of the head and neck was announced this week by doctors of the Sloan-Kettering Institute. The treatment attacks the growth of cancerous tumors with chemicals while protecting the patient's general health with chemical antidotes. It was worked out cooperatively by doctors of the New York Veterans Administration Hospital and Sloan-Kettering.

The two chemicals used are Methotrexate (an anti-vitamin) and citrovorum (a vitamin factor), which is the antidote. Use of these chemicals on 18 patients, all with cancers too advanced to be operated on, have already produced amazing results. In 10 of the 18, partial regression of the tumor occurred; in two other patients, considerable improvement in general health was noted.

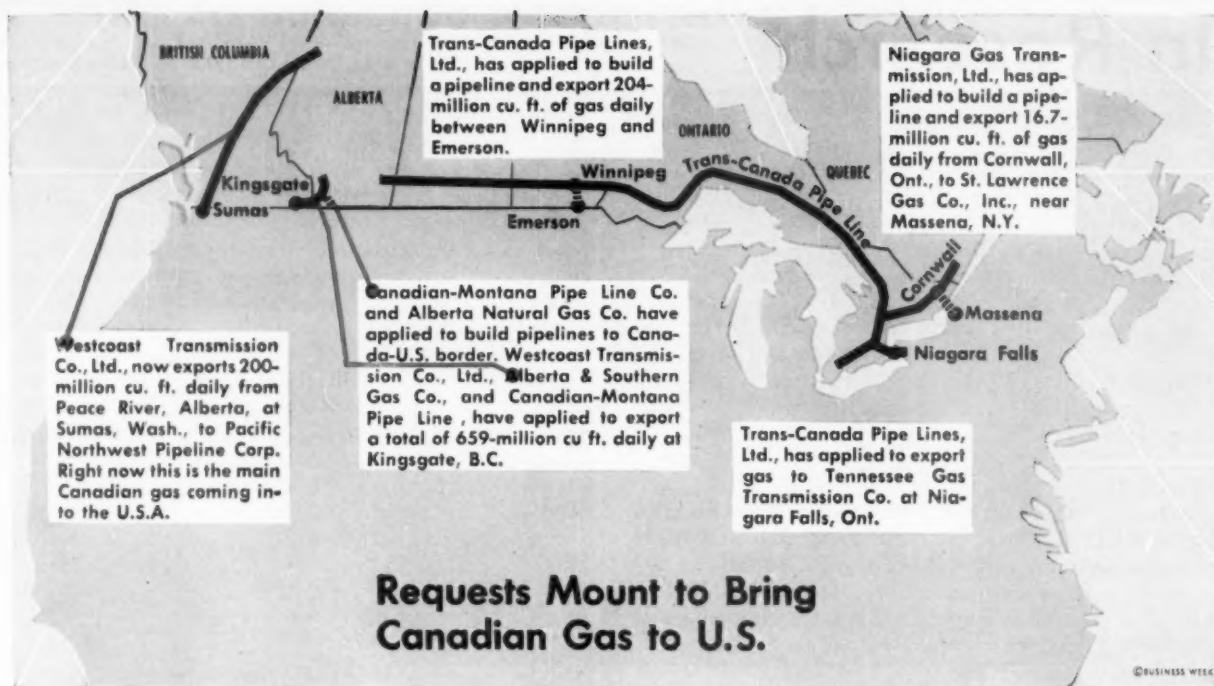
The technique involves the introduction of a plastic tube into the carotid artery in the neck. This is the principal blood vessel supplying blood to this area.

When the plastic tube is correctly positioned, it is attached to a pump which feeds a saline solution containing the Methotrexate into the artery at a rate of 2,000 cc. every 24 hours for six to eight days. The vitamin factor citrovorum, the antidote to the Methotrexate, is injected in the patient at regular intervals to protect his system against the high doses of the antivitamin.

The treatment, of course, is still experimental. But it is now being tried with different combinations of anti-cancer drugs and their antidotes for treatment of cancers other than of the neck and head. Methotrexate itself has been known since 1948 to be effective against some cases of acute leukemia in children—presumably because of its ability to interfere with the supply of folic acid, needed by rapidly growing cancer cells in the blood stream. But until now, there has been no good method suggested to combat its toxicity.

The Sloan-Kettering discovery could turn out to be a major break in the search for chemicals to treat cancers.

CANADA



Five New Gas Outlets to U.S.

Canada's National Energy Board, whose chief duty is to regulate exports of natural gas to the U.S., is settling down in its new Ottawa offices behind the painters and the furniture movers after coming into existence on Nov. 1. Its first act will be to open hearings on Jan. 5 on five gas export applications, one of which has been dangling since 1955.

As the map shows, five gateway connections from Canadian pipelines to U.S. pipelines are at issue. As pipelines go, none of these connections is long, and a couple of them are less than 10 mi. But the volume of gas that would be exported to the U.S. is immense—something like 20% of all Canada's proven reserves today.

In order to get down to the key question—can Canada afford to let so much gas go out of the country?—the new National Energy Board is lumping all five cases in a single set of hearings.

• **Enough for Itself**—Only a few years ago, a proposal to let one-fifth of the known gas go across the border to the States over the next 20 or 25 years (the life of the contracts that are up for approval) would have aroused screams of dismay. Canada's known reserves were limited, and many Canadians feared there wasn't enough gas for the country's own needs.

Since then, reserves have grown, and so has Canada's pipeline system, demonstrating its ability to fill indus-

trial and household needs in most parts of the country. Now the fear of depletion of gas fields has faded so completely that the Energy Board's announcement of the hearing plans didn't arouse a peep of protest.

Proven Canadian reserves now stand at 28-trillion cu. ft., of which 25.6-trillion cu. ft. are in the Province of Alberta. A study this year by John Davis, director of research and planning for British Columbia Electric Co., Ltd., predicts that Canada's requirements for natural gas, with no allowance for exports to the U.S., will increase eight times from 253-billion cu. ft. in 1958 to 2-trillion cu. ft. in 1980, but that discovery of reserves will keep pace.

"By the time Canadian development has reached the state of the U.S. today," says a British analysis of the Davis study, "it might be expected that Canada would find 150-trillion cu. ft. of gas. Ultimate discoveries might total as much as 500-trillion cu. ft."

• **Five Routes**—If the new board approves, Canada will export another 880-million cu. ft. daily, which adds up to around 5.6-trillion cu. ft. over the life of the contracts. Applications have been filed for the following five projects:

Trans-Canada Pipe Lines, Ltd., of Calgary and Toronto, to export 204-million cu. ft. daily through Emerson, Manitoba, to Midwestern Gas Transmission Co., and to build a pipeline

from Winnipeg to Emerson from the existing Trans-Canada pipeline.

Trans-Canada is also asking the Energy Board for approval of an "interruptibility contract" to export gas from its line at Niagara Falls, Ont., to Tennessee Gas Transmission Co. This would be surplus above domestic needs and commitments for export through the Emerson connection; it could never exceed 204-million cu. ft. daily.

Westcoast Transmission Co. of Calgary, to export 165-million cu. ft. daily to Pacific Northwest Pipeline Corp. from the Peace River field via Kingsgate, B. C., to augment the 200-million cu. ft. per day which it already sends to the U.S.

Alberta & Southern Gas Co., a subsidiary of giant Pacific Gas & Electric Co. of San Francisco, to export 459-million cu. ft. daily through Kingsgate by way of a 108-mi. pipeline to be built by Alberta Natural Gas Co., which joins in the application, and a still unbuilt 1,300-mi. line to the San Francisco area.

Canadian-Montana Pipe Line Co., to build a 3-mi. line from the national border to link up with a yet unbuilt line of Alberta Gas Trunk Line Co., Ltd., and to export 36-million cu. ft. daily to its parent Montana Power Co.

Niagara Gas Transmission, Ltd., to build an 8½-mi. link from the present Trans-Canada pipeline near Cornwall, Ont., to the St. Lawrence Gas Co., Inc.,



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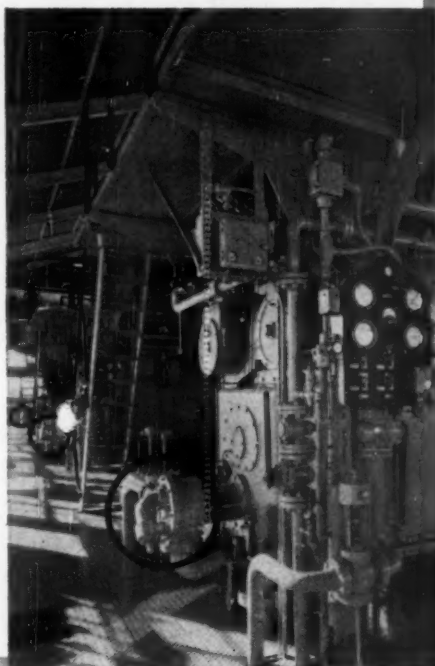
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near Massena, N. Y., and to export 16.7-million cu. ft. daily. Niagara is an affiliate of the Consumers' Gas Co. of Toronto.

• **Alberta's Own Line**—Alberta Gas Trunk Line Co., Ltd., comes into the cases only indirectly, though it plays an important role in three of the projects. It is owned by the Province of Alberta and operates solely in that province, so it needs no National Energy Board permission to build. But its expansion is conditional on NEB approval of the export deals.

Alberta Gas Trunk Line operates two divisions. One called the Prairie Div. feeds gas from the fields to Trans-Canada's long line across Canada. The second part, called the Foothills Div., won't be built until the export permits have been issued.

Then it will carry Westcoast's requested 165-million cu. ft. daily, Alberta & Southern's requested 459-million cu. ft. daily, and Canadian-Montana's requested 36-million cu. ft.

Westcoast's present 200-million cu. ft. daily enters the U.S. at Sumas, Wash., far to the west of the proposed Kingsgate transfer point. The present supply goes to the Seattle-Tacoma area, while the new throughput at Kingsgate will go chiefly to Spokane and the Yakima Valley.

• **New Powers**—The act creating the National Energy Board brought under one roof the requirements of two previous acts, one for approval of pipelines and the other for export or import of gas. However, as a practical matter, virtually all operators must also deal with a provincial board.

Energy resources may be taken out of any province only with the approval of that province. In the case of gas, Alberta is the one important province, with about 97% of all Canada's natural gas. There is no precedent yet whether an operator must go first to the provincial board or to the National Energy Board with a project to export gas to the U.S.

Policy in this respect could hinge on the attitude of the Energy Board's chairman, Ian N. McKinnon, who is on two-year loan from his post as chairman of the Alberta Oil & Gas Conservation Board. McKinnon has also long been deputy minister of lands and mines for Alberta.

The board's chief powers are to rule on export and import of natural gas, export of hydroelectric power, construction of pipelines (except those that stay within one province) and international power lines, enforce the law against unfair pricing deals that evade the tariff filed with the board. It remains to be seen whether the board will assume the profit-regulating aspect of an FPC by controlling the transmission prices as well as keeping track of them. **END**

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

DEC. 12, 1959



Washington is feeling a little easier about the U. S. balance of payments problem. It now looks as though our payments deficit for 1959 will be about \$3.5-billion. That's somewhat below the \$4-billion or more figure that government officials had predicted earlier.

It's the fourth quarter that will show the big improvement. For this period, the deficit may not be more than \$250-million because of a pickup in U. S. exports, plus some special factors.

Repayment of debts to the U. S. will add some \$580-million to our fourth-quarter receipts. Britain already has repaid a \$250-million post-Suez credit from the Export-Import Bank. This month, London and Paris between them also will be repaying about \$330-million on loans extended by the U. S. in the early postwar years. Altogether, the net increase in repayments during this quarter—compared to the third quarter—should amount to nearly \$400-million.

Fourth-quarter trade figures won't be available for a while yet. But on the basis of the U. S. export showing from July through September, we seem to be gaining considerable ground on trade account. During this three-month period, U. S. exports to Western Europe and Japan were picking up nicely. If you exclude coal and cotton, which are special cases, there was an increase of about 20% over the same period of 1958.

There's no tendency at the Treasury or Federal Reserve Board to gloat over fourth-quarter gains. Nor do they feel that the U. S. can now relax about the payments problem.

The Administration will push ahead with its plans to get Western Europe to share more of the NATO burden. That way, we can cut some of our foreign military expenditures. At the same time, Washington will keep pressing the European nations to play a bigger role in financing aid to underdeveloped countries.

Beyond that, the Administration is continuing to campaign for a further lifting of restrictions abroad against dollar goods. The subject came up again in this week's talks overseas between Under Secy. of State Dillon and European officials.

Here at home, the Treasury and Fed will continue their fight against inflationary pressures. By this, they hope to strengthen the price position of U. S. goods, especially in competition against West European industry.

The toughest job of Pres. Eisenhower's 11-nation tour is still ahead. That's the stopover in Paris. There, at a Big Four meeting of Western powers, he'll help unify the West's policy on the NATO alliance and on future summit talks with Soviet Premier Khrushchev.

Eisenhower's swing through Asia, of course, was not just window dressing. Particularly in India (page 73), he aimed at showing our concern for Asia's serious problems. But he was not trying to offer on-the-spot solutions.

In Western Europe, he'll have to cope with rifts among the Western powers—and work toward rebuilding unity.

Disagreements in NATO boil down to two problems—who runs the show and who pays for it.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

DEC. 12, 1959

France wants a bigger voice in NATO's decision-making. It thinks the U. S. and Britain call all the plays. In addition, Pres. de Gaulle is slowing the program to integrate armed forces within the NATO defense structure.

The U. S., on its part, is plumping for the Allies to pay for a larger portion of NATO's costs. That would help whittle down our huge outlays for foreign military aid.

NATO's problem won't be solved in one swoop.

France, for instance, may give some ground on integrating NATO forces. In return, it may get a promise of more frequent, informal consultations with the U. S. and Britain. But it won't win the special status in NATO.

None of the other Allies favor any radical change in NATO's dependence on the U. S.—as de Gaulle would like to see. However, they probably will agree on sharing more of NATO's costs—though the shift will be slow. In doing so, they inevitably will help weaken our dominant role in NATO—something that would please de Gaulle.

As for summit plans, Allied differences seem to be primarily tactical.

Look at the various positions. Prime Minister Macmillan wants to push Khrushchev hard for an interim agreement on Berlin. Chancellor Adenauer doesn't even want to discuss Berlin. He considers disarmament the key topic for a summit meeting. And yet Pres. de Gaulle, on his part, would prefer to tackle the whole range of East-West problems.

Washington is confident that Eisenhower, as mediator, will iron out these differences—at least for the moment. Washington's real worry is the summit itself. Serious Allied disputes over basic issues could develop—if Khrushchev offers important concessions.

—●—

Britain's hard-pressed aircraft industry is heading for a major shake-up. The government wants it to merge into two main groups. One probably would be under Hawker Siddeley's wing, the other under Vickers'. Through consolidation, the industry would drop about half its present 240,000 work force.

British aircraft companies are reeling from military cutbacks and foreign (mostly U. S.) competition. Biggest blow was the industry's failure to hold its early lead in the race to develop commercial jets.

British companies are balking at tighter reorganization (though they already have formed "loose amalgamations" in recent years to gain strength). But Aviation Minister Duncan Sandys probably will ram through the program. His main weapon: ministerial control over government aircraft contracts, including support for developing new jet airliners.

—●—

Britain soon may take another big step toward full convertibility of pound sterling. Next move would be to allow investment capital to move in and out of Britain freely.

For one thing, that would end the restrictions on liquidating foreign investments in Britain that were put into force in 1939. U. S. businessmen no longer would need special "security sterling" to buy dollars to take out. Usually, by having to use "security sterling" (sold below par), businessmen take some loss in repatriating capital from Britain.



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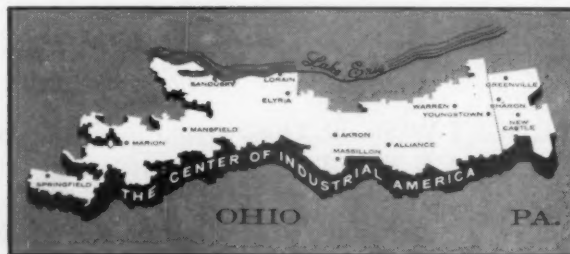
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THE MARKETS

Funds Wed Their Smaller Cousins

● An easy way for investment companies to raise capital is to acquire smaller private investment concerns.

● More and more of these investment specialists are being absorbed by the big funds.

● The deals offer tantalizing tax advantages to the selling companies, which can gain shelter from many levies.

The nation's big investment companies and mutual funds have discovered a new and relatively cheap way to augment their assets. The technique, increasingly popular these days, is to exchange the big fund's shares for the assets of smaller companies that also specialize in investments.

The outfits involved in the deals are of two kinds—personal holding companies and private investment companies.

For tax purposes, a personal holding company is defined as one with 80% of its income coming from interest, dividends, certain oil royalties, and rent (which cannot constitute more than 50% of the intake) and with 50% control held by five or fewer persons. It must distribute all income the same year it is earned or face a severe surtax.

A private investment company is similar—but with two possible differences: Its stock may be more widely held (though by fewer than 100 persons; otherwise it would qualify as a regulated investment company), and its income may stem from different sources. Under some circumstances, a private investment company doesn't have to worry about a surtax.

• **Numerous Sales**—Lately, a number of these concerns, mostly personal holding companies, have been snapped up by investment companies:

• Since October, 1958, the \$277-million One William Street Fund has purchased four such companies with total assets valued at \$8.2-million, and it has more deals on the fire. (One William, in fact, started life in April, 1958, with a boost from acquisition of the \$36-million holdings of Aurora Corp., a private investment company largely owned by a group of Ford Motor Co. executives.

• **Fundamental Investors, Inc.**, a \$600-million fund, has picked up three holding companies with total assets of \$16-million in the past year.

• **State Street Investment Corp.** has just absorbed the \$2.7-million Broad Brook Co., a private investment outfit.

• **Broad Street Investing Corp.** in July acquired the \$2.4-million assets of B. B. Geyer Co., Inc. It was the fifth such acquisition for the Broad Street group of funds in the past 12 months, the 13th in recent years.

• **Lehman Corp.**, the big closed-end trust, has added \$13.8-million to its capital in the past year by taking in three companies. It's ready to close another deal.

So far, few other investment companies have gone in for such purchases. But the trend is sure to accelerate, partly because the procedure is relatively simple, partly because the advantages loom so great to everyone concerned.

• **Swinging a Deal**—The procedure is similar to that used in many company acquisitions—basically, just an exchange of stock. The owners of the smaller selling company trade their stock for shares in the big investment company. The number of shares they get is normally determined by dividing the selling company's assets by the investment company's net asset value. If the selling company can prove its "business purpose" is investment, the Internal Revenue Service permits the shares to be swapped taxfree.

Some of the closed-end funds have been able to add a premium to their net asset values in figuring the details of an acquisition. Lehman Corp., which usually trades at a premium in the open market, has gotten 5%. State Street—which hasn't sold new shares to the public since 1944 but stands ready to redeem shares—received a 1% premium in its Broad Brook purchase, 3% when it bought a \$12-million company last year.

• **Easy Money**—The advantages of these deals are sizable. The closed-end trust, which doesn't continuously sell shares to the public, can raise capital easily and cheaply this way. James B. Downing, vice-president of Lehman Corp., says it cost Lehman \$87,000 to obtain \$18-million through a rights offering in 1955, only \$13,000 to acquire the assets of the \$12-million Peacock

Co. this year. "The spread would be even greater today if we raised money," adds Downing. Moreover, a rights offering to shareholders often affects a trust's stock price; buying a personal holding company doesn't.

Open-end funds enjoy the same advantage. And for the open-end funds, such deals may also help cut operating costs. A fund's fixed costs remain fairly stable as it grows in size. At the same time, the acquisitions bring the fund a few large stockholders who are likely to stay with it, and it's much cheaper to service 1-million shares held by 10 persons than the same number of shares held by 300.

The funds also acquire marketable securities that often fit neatly into their investment goals—without having to bid up prices to get them. One fund, for example, picked up a block of insurance securities in this manner. If it had had to buy them in the open market for insurance stocks, which is extremely thin, it would have had to pay substantially more.

• **Tax Blessings**—The selling company benefits in a number of ways, too. A personal holding company is at a disadvantage with the tax collector. It must pay the 52% corporate tax on interest income, the 25% corporate capital gains tax, and the corporate tax on intercorporate dividends, equal to an effective rate of 7.8%. It also has to pay a hefty holding company surtax on undistributed ordinary income—75% on the first \$2,000 and 85% on the rest. If it distributes capital gains to its stockholders, they are liable to taxation of the full amount as ordinary dividend income.

By contrast, a regulated investment company is exempt from federal taxes on income or capital gains distributed to shareholders. On retained capital gains, it pays a 25% tax on behalf of the stockholder; IRS permits him to increase the tax cost of his stock by the amount retained, thus putting him on the same basis as if capital gains had been distributed. In practice most investment companies pass almost all their income and capital gains on and thus pay no corporate taxes. The owners of a personal holding or private investment company can obtain these tax benefits too by selling to a trust.

Besides, the selling company's stockholders acquire a marketable, liquid security that can readily be sold and that can be more easily managed and evaluated for estate purposes. Sometimes, too, the investment company offers better investment advice than



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some of the selling companies have been receiving. Most of the smaller concerns formed today come out of family operating companies which have been liquidated. The family group then invests the assets in securities but sometimes their investment acumen is limited, and professional management is needed.

• **Lower Price**—In spite of virtues that seem obvious, many investment companies still shy from acquiring personal holding companies because of some vexing problems—not the least of which concern stockholder relations.

For one thing, there is some annoyance among fund shareholders because the stockholders of a selling company get their shares in the investment trust at a lower price, in effect, than the general public must pay. In an acquisition, a trust exempts the sellers from the "load" or sales charge levied on the public. In one Broad Street deal, for example, the sellers acquired \$225,000 in Broad Street shares; if an individual wanted to buy a similar amount, he would have to cough up a 2.25% sales fee.

According to the Investment Company Act of 1940, an investment company, in effect, must offer its shares publicly at the same price. But the Securities & Exchange Commission has always granted the funds an exemption from this provision in acquisition deals. Fred Brown, president of Broad Street, explains the funds' viewpoint on the price differential this way: "In one case, you're talking about the sale of shares for cash—in which a sales effort has brought a stockholder into the fold. In the other, a fund is getting a going concern with marketable securities, less brokerage commissions—in which little expense is involved in handling the transaction."

• **Tax Woes**—A more crucial worry is the tax liability that might be assumed by stockholders of a fund that buys a personal holding company with a lot of unrealized capital appreciation. In such a case, the fund, when it realizes these gains, would ordinarily distribute them to its stockholders, who would have to pay taxes on them. Actually, though, it is argued that if the selling company's unrealized gains are a larger percentage to its assets than the fund's gains are to its assets, an unexpected tax burden might be dumped on investors in the fund.

To ease the problem, SEC has hammered out a formula that equalizes this tax burden. It does so by, in effect, discounting the value of the selling company's assets. Thus, the fund—and its shareholders—get more assets than it actually pays for.

• **Discount Technique**—In detail, the formula works this way: If a personal holding company has \$1-million in as-

sets and unrealized profits of 60%, while the fund's unrealized appreciation comes to only 40% of assets, the fund takes the difference between the two percentages (20%) and applies it to the selling company's assets. This gives \$200,000. Then the fund takes 12½% of this figure—to represent the average capital gains tax that might be paid on the amount—and subtracts the result (\$25,000) from the selling company's assets. Finally, the fund pays the selling company \$975,000 instead of \$1-million when it takes over the assets.

The owners of a personal holding company are usually willing to settle for this downgrading of their assets because sale to an investment trust offers so many offsetting advantages, particularly in taxes.

• **Difficult Adjustment**—A few students of the funds feel it's dangerous for shareholders if the fund absorbs a holding company with a lot of unrealized appreciation, because it's hard to work out an equitable adjustment. "That's why we're not so interested in such transactions," says Henry Vance of Vance, Sanders & Co. But he adds quickly, "if there's a feasible deal, we're interested."

Those who have worked with the problem say it's more theoretical than concrete; in dollars and cents, the tax liability is small. Even so, most trusts won't acquire a smaller fund with large unrealized profits.

• **Criteria**—The trusts have a whole package of stiff qualifications for a prospective acquisition to meet.

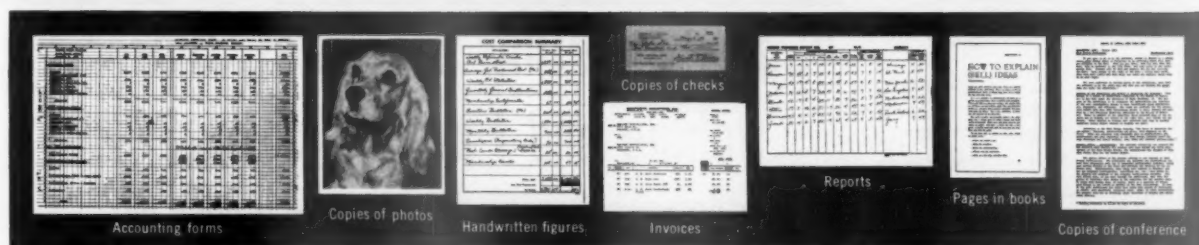
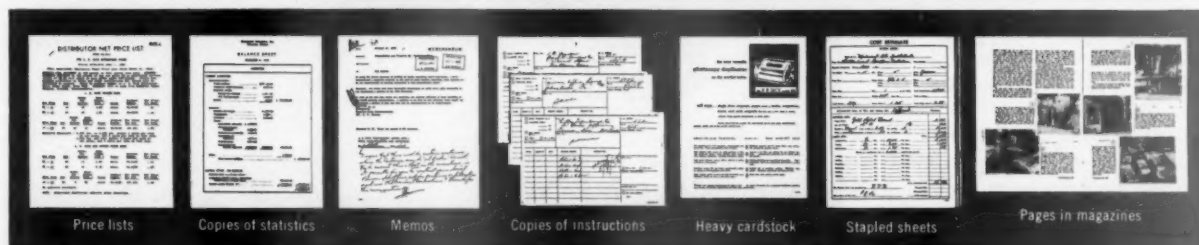
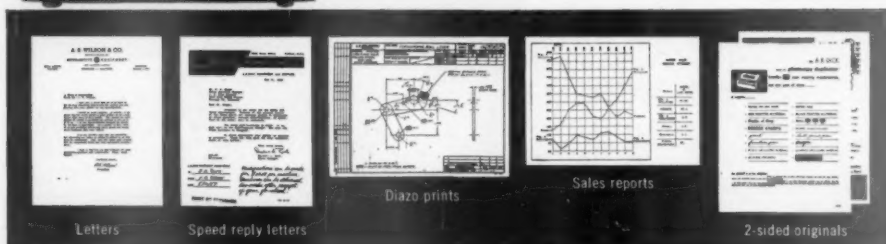
In general, the selling company's portfolio must be compatible with the trust's investment policy. "We don't want to sell out everything," says one trust official. "We'd rather fit their stocks into our portfolio—and some of the personal holding companies have very seasoned, blue-chip stocks." In fact, Lehman's acquisition of Peacock gave it shares of Schlumberger, Ltd., the French oil equipment company, for the first time.

For the most part, trusts aren't interested in companies whose assets are concentrated in one or two big blocks of stock. Acquiring securities in such chunks, says Harold Wit of One William, "could throw our portfolio's balance out of kilter." But there are exceptions. Massachusetts Investors Trust picked up a huge block of International Paper stock—which it liked anyway—when it bought the \$12-million Hanover Co. earlier this year.

Some trusts also set informal limits on a company's size, although each deal stands on its own merits. The funds also snub companies with nonliquid assets, such as real estate. "We want liquidity above all," says one fund official. **END**



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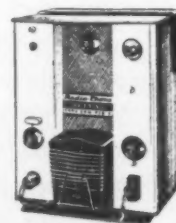
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In the Markets

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Heavy Trading in Blue Chips

Pushes Stocks Close to Record

Trading in blue chips dominated the stock market this week, as stock prices came within a hairbreadth of their alltime high. On Tuesday, a spurt in quality issues led the stock market to its sharpest advance in more than two years. The Dow-Jones industrial average jumped 9.72 points, or 1.46%, to 675, within 3 points of the record made on Aug. 3. Profit-taking slimmed the rise Wednesday, but brokers now feel the peak should topple in the usual yearend rally, as investors pour funds into blue chips and shun the more speculative, low-priced issues.

The Ford Foundation once again showed a fine sense of timing in selling another 2-million shares of Ford Motor Co. The shares sold at \$82; only a month ago, Ford was trading at \$77. Moreover, the sale's impact on Ford's price was slight—the stock dropped a bit, then came up to \$83. However, at midweek, Transatron Electronic Corp.'s issue of 1-million shares, proceeds of which will go to the Bakalar Brothers, David and Leo (BW—Dec. 5 '59, p123), was running into difficulties with the SEC. Agency men said the underwriter had filed a "pricing amendment," listing the stock price at \$36 per share, but that "problems" connected with the issue were expected to delay SEC approval of the effective date of the registration statement.

• • •

Federal Home Loan Bank Puts Limit

On Brokered Funds S&L Can Hold

The Federal Home Loan Bank Board hit hard last week at savings brokers, who place funds for investors with those federally insured savings and loan associations that pay higher dividend rates than commercial and mutual savings banks, as well as most other S&Ls. The Board, in effect, ruled that after Jan. 4, 1960, S&Ls can't have more than 5% of their share accounts in so-called brokered funds. S&Ls already exceeding this limit are prohibited from paying brokers for additional funds.

Savings brokers, principally located in the East, have been placing an estimated \$250-million annually with S&Ls in areas where high S&L dividend rates—up to 4½%—are common, chiefly California, Illinois, and Colorado. Most S&Ls won't accept more than \$10,000 from any one saver, so the brokers act as middlemen for large investors who want to place more than \$10,000 in institutions paying the highest rates; they also place funds for smaller savers. For this service, brokers are paid a fee of about 1% of the funds they place by the S&L, usually from funds earmarked for advertising.

Savings brokers are up in arms about the action. They

say that if the FHLBB move survives an expected court test, they will be out of business. "These regulations," says Milton E. Levine, executive vice-president of Joseph H. Meyers Corp., a New York savings broker, "are arbitrary, capricious, and entirely unfair. If they stand, they'll set the California S&Ls back 10 years."

The National League of Insured Savings Associations, on the other hand, says that the new rules will eliminate pressure on the S&Ls to push up dividend rates. As a result, it says, rates are more likely to reflect local business conditions, rather than the influence of outside brokerage money.

• • •

Bond Yields and Money Rates

Continue Their Upward Climb

Yields in both the money and bond markets continued their strong advance this week, causing all sorts of repercussions:

- California postponed sale of \$100-million state construction and veterans' bonds shortly after two nervous Wall Street syndicates decided to merge and make only one bid.

- A decided stickiness developed in the corporate bond market. The \$75-million Consolidated Edison Co. bonds, priced to yield 5.15%, and the \$7.5-million Worcester County Electric bonds, priced to yield 5.30%, were only half-sold at midweek, while the \$15-million lower rated Arkansas Power & Light bonds got barely sufficient investor demand at a 5.45% yield.

- Government bond prices continued to erode, so that a number of issues maturing in three to four years now yield over 5%.

- The Treasury Dept. paid record rates of 4.63% to sell \$1.6-billion three-month bills and 4.96% on \$500-million six-month bills.

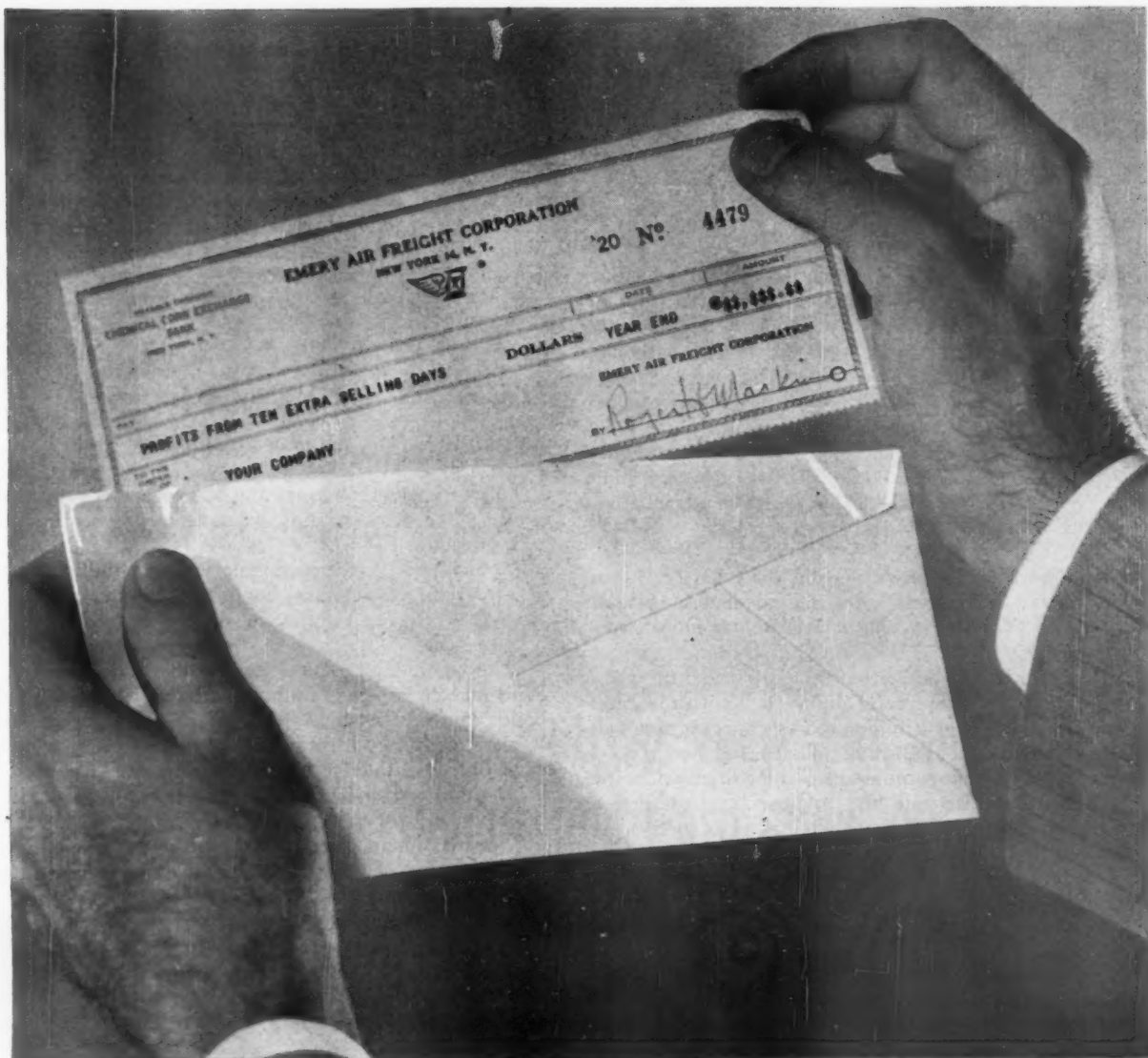
- Finance companies again pushed up the rates on their commercial paper by $\frac{1}{8}$ to $\frac{1}{4}$ of 1% to record highs of 5½%.

• • •

The Markets Briefs

Talk of a proxy fight at Cherry-Burrell Corp., Cedar Rapids maker of dairy equipment (1958 sales: \$31-million), is what's causing a run-up in its stock, say Wall Street sources. The stock jumped to \$34 from \$20 in the past few weeks. This week, Anthony von Wening, president of Milwaukee's Basic Products Corp. and a director of C-B, was named chairman of C-B's board, replacing Howard H. Cherry, Sr. But neither man would comment on rumors that a proxy fight between the Cherry and Burrell families is in the making at the company's Jan. 19 annual meeting.

The mutual fund industry expects a \$2.3-billion to \$2.5-billion sales year in 1960, according to a survey compiled by Kalb, Voorhis & Co. (Over-all fund sales should top \$2-billion in 1959.) A key finding: More than one-third of the fund dealers plan to stress contractual plans in 1960 over lump sum plans and voluntary plans.



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LABOR

Offensive Against Hoffa Mounts

- Teamsters monitors, strengthened by high court ruling, will launch major legal drive to unseat him.
- Legal moves score heavily against his allies, and Labor Secretary plans checkups under new law.
- Feeling grows that Hoffa's luck is running out, with his ouster and Teamsters reunion with AFL-CIO possible.

Just after the turn into 1960, Teamsters monitors will go into the federal district court in Washington to ask the removal of James R. Hoffa and Harold J. Gibbons as leaders of the truckers union. This will be the most serious of all the efforts in the last two years to unseat the union head and his No. 1 strategist. It might be the final showdown.

• **Matter of Time**—Among those who have seen the Teamsters' Hoffa escape a number of potential pitfalls since 1957—in the courts, Congress, and organized labor itself—the feeling is that his luck has already run out, that it is just a matter of time.

Not only are the monitors advancing steadily; other legal challenges are now beginning to score.

Mostly, an apparent Teamsters shift to the defensive for 1960 is the result of a sudden meshing of laws and court decisions that give teeth to the oust-Hoffa program which started with the Teamsters' expulsion from AFL-CIO.

• **Return to AFL-CIO**—If Hoffa is deposed, the consequences would be great. The event would not be simply a change from one union president to another. It would mean an important revamping of organized labor's line-up. The giant 1.6-million-member union of truckers would return to AFL-CIO. Its powerful combines again could be part of the federation's political and legislative muster. And the Teamsters once again would be allied with AFL-CIO unions in bargaining and strike activity.

Relations between the AFL-CIO and the Teamsters were severed at the top in 1957. In many local situations, AFL-CIO affiliates and the truckers continued to cooperate. In others, the split curtailed such important joint ventures as the Teamsters-Machinists organizing campaign in auto repair shops and gas stations.

A re-alliance also could be vital to unions under the new reform law. Labor's problems would not clear up suddenly if the Teamsters rejoined the AFL-CIO, but a coordinated approach would certainly help unions to be more

effective under the the new law—particularly where the vital transport link in handling of employer products is involved.

I. Monitors on the Move

Before this coordination becomes a likely prospect, however, the anti-Hoffa campaigns have a long legal road to go. Leading the way, with the first and best prospects, is the Teamsters' three-man board of monitors.

Though the monitors have been on the job almost two years, they have just recently been given the legal authority to help make their cleanup moves stick. With this authority, their prospects for removing Hoffa suddenly perked up.

The monitors were originally appointed by Judge F. Dickinson Letts when Hoffa, in order to end a suit against his assuming the presidency, agreed to become provisional president while the monitors advised on how to eliminate corruption in the union. From that point they tangled on whether the Detroit labor leader had to follow their advice.

• **Monitors Backed**—Two weeks ago, the Supreme Court said, in effect, that Hoffa did—if the courts back up the monitors. The High Court simply refused to review an Appeals Court decision saying the monitors can recommend cleanup moves to Judge Letts. If he O.K.'s them, the Teamsters must obey or be held in contempt of court.

Said Hoffa, "We will live up to the decision." But he made clear that the union will appeal most monitor moves.

Certainly, two that are certain to be appealed, when the time comes, are those coming from the monitors early in January. Led by Martin F. O'Donoghue, chairman, the monitors intend to ask Judge Letts to order trials of Hoffa on charges of misusing union funds and of Gibbons for allegedly rigging his election as head of a St. Louis Teamsters local.

• **Local Funds Question**—Specifically O'Donoghue accuses Hoffa of violating his trust as provisional president by re-

moving \$500,000 in Teamsters funds from his own Local 299 in Detroit and depositing the money in an interest-free account in a Florida bank. The monitors say the funds were used as collateral to back a Florida resort building project in which Hoffa had a personal interest.

The Justice Dept. also is interested in this. It said this week that a grand jury will consider possible violations of federal statutes by "certain high officials" of the Teamsters in connection with the project.

Letts already has backed the monitors' move by granting them permission to go into Local 299, subpoena witnesses and records, and take testimony in the case. When the evidence is in, they expect to go back to Letts to ask for a court trial on charges against the Teamsters president.

The first monitor moves next year against Hoffa and Gibbons are just two of dozens of steps the monitors plan to take within the Teamsters. If these moves fail, they plan to keep going.

Another proposed mark against Hoffa, for instance, is his presidency of Local 299, the \$15,000-a-year job that started him up the ladder of the international. This second office, in addition to his \$50,000 post as international president, violates the clause in the Teamsters constitution requiring that "the General President shall devote his entire time to the service of the international brotherhood," according to the monitors.

• **Some Gains**—Actually, the monitors already have scored with some important directives. Eleven recommendations have gone through the court, including Order No. 16—one that could hit Hoffa hard, though it would not affect his own job.

This order requires that Teamsters Vice-Pres. Owen Bert Brennan face charges of misappropriation of union funds and take a leave of absence without pay pending a hearing by the union. He is accused of using union funds to support a protege professional boxer.

Brennan, also of Detroit, is Hoffa's closest friend and ally. Nevertheless, Hoffa is reported to have started the Brennan investigation.

II. Other Legal Moves

While the monitors work to remove Hoffa, many of the Teamsters president's strategically placed allies are feeling the legal challenges of U.S. and state attorneys general. Already, some half-dozen key Teamsters are under in-



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dictment on charges ranging from misuse of funds to extortion.

They include such key Hoffa men as Raymond Cohen, power of Local 107 in Philadelphia; Barney Baker of the Teamsters Central States Conference; John O'Rourke, Teamsters vice-president from New York, and Harold Gross, head of Local 320 in Miami. Many lesser Teamsters officials also face trial. They are part of the Hoffa chain of command among 920 locals.

• **34 Convictions**—At the Justice Dept., figures show 34 Teamsters have been convicted. Says Asst. Atty. Gen. Malcolm P. Wilkey, "We are keeping the pressure high, and many of the rascals are beginning to feel it."

Wilkey's investigations brought an indictment last week against two telephone operators at Hoffa's Washington living quarters, charging they falsified records of outgoing calls from the Teamsters president's hotel suite. The indictment returned by a district grand jury accuses the chief operator, Sally T. Hucks, and her assistant, Violet A. Davis, of ordering other operators to make fictitious entries on calls from Hoffa Suite B-1250 at the Woodner apartment-hotel on upper 16th Street.

The record rigging, according to the charges, went on during the McClellan committee's investigations of Hoffa. In addition, the indictment accuses the two operators of destroying telephone records in April while under subpoena.

If the Justice Dept. pressures on Hoffa and his supporters make continued headway, this could dent his firm control in the union.

However, so far there is no sign of a rank-and-file revolt against Hoffa, although recently some anti-Hoffa centers have developed.

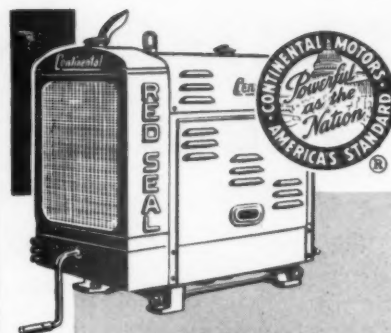
III. The Reform Law

The 1959 anti-racketeering law, which can be used against the Hoffa forces, is still more a potential threat than an immediate one. But it provides the Secretary of Labor with some powerful tools for his own investigations of the union—tools which Labor Secy. James P. Mitchell indicates he is prepared to use.

Among other things, Mitchell can make investigations and subpoena witnesses where he thinks the reform law is being violated, through fraudulent financial reports, in election procedures, or by a mishandling of union funds.

A close check is being kept on the Teamsters on many fronts. Suspicions are being relayed to Mitchell.

Mitchell says that "these matters are being investigated. . . . All necessary action will be taken . . . with respect to assuring compliance and dealing with any violations of the provisions of the [reform] act." **END**



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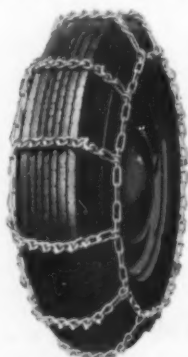
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Automation Gains on Docks

ILA says it will no longer oppose shipping containers and conveyor belts, and employers agree to pay premium for their use. Rank-and-file vote this week on plan.

New York waterfront employers last week scored limited gains on automation—but just how much they have won remains to be seen.

The knotty automation problem was unraveled in negotiations between the New York Shipping Assn. and the International Longshoremen's Assn. The same talks also resulted in a 41¢-an-hour dockside peace package (BW—Dec. 5 '59, p36). Wage terms provide an immediate 12¢-hourly pay hike, lifting base rates to \$2.92 an hour, plus 5¢ more in 1960 and 1961. Employer contributions for pensions and welfare benefits run to 14¢ more an hour. ILA members will vote on the pact this week—both labor and management hope there won't be an upset.

• **The Real Issue**—The money terms were never the real stumbling block in the waterfront talks. It was the dockers' fear of automation that led New Orleans longshoremen to walk out in mid-October and precipitate an eight-day East and Gulf Coast strike in the face of a union agreement to extend the old contract. A Taft-Hartley injunction ended the strike.

Ordinarily, 20-man work gangs load and unload cargo from the ships' holds by use of slings, a slow and cumbersome process. The automation problem develops out of use of shipping containers and conveyor belts for "palletized cargo"—cargo already stacked on wooden or metal platforms in warehouses. Containers are packed or unpacked at the point of shipment.

Container loading is simpler and uses fewer men. The containers can be loaded with a crew of six or seven, the industry says.

Whether or not to cut back gang size was the explosive issue in the dock talks. The union charged that within five years automation would enable the industry to move all the cargo now going through New York with 24,000 longshoremen—or one-half the present number.

Before the October walkout, there were rumors around the port that the union leaders were more amenable to a rational solution of the automation problem than the rank-and-file. They needed to get off the hook somehow.

• **ILA's New Position**—What the negotiators did was to lift the issue out of the immediate bargaining area. The union agreed that it would not stand in the way of automation. Until now, ILA successfully blocked the general

use of containers. Less than 1% of all the general cargo moving through the Port of New York is shipped pre-packed in containers, according to an industry estimate. Only two lines have conveyors for the loading of cargo strapped on pallets.

Now, presumably, any or all dockside employers will be free to use the newer methods.

• **Same Gang Size**—However, they must maintain the traditional 20-man dock gang. This may not be the hardship it seems. ILA's president, Capt. William V. Bradley, has admitted that while the union has saved the gang system, extra laborers on the docks may suffer a loss of jobs. Present practice calls for using 20 gangs to load and unload two ships moored in one pier. In addition, the stevedoring company frequently hires another 100 men to help out. These extra laborers probably will go as the port mechanizes.

Although the union has agreed that anybody can use containers, the industry must pay a premium for the privilege. The amount to be paid for each lift-van or shipping container packed or unpacked off the piers by non-ILA members is to be determined in arbitration. This helps get the union off the hook and, perhaps, will result in a better deal for employers than they might have gotten through bargaining.

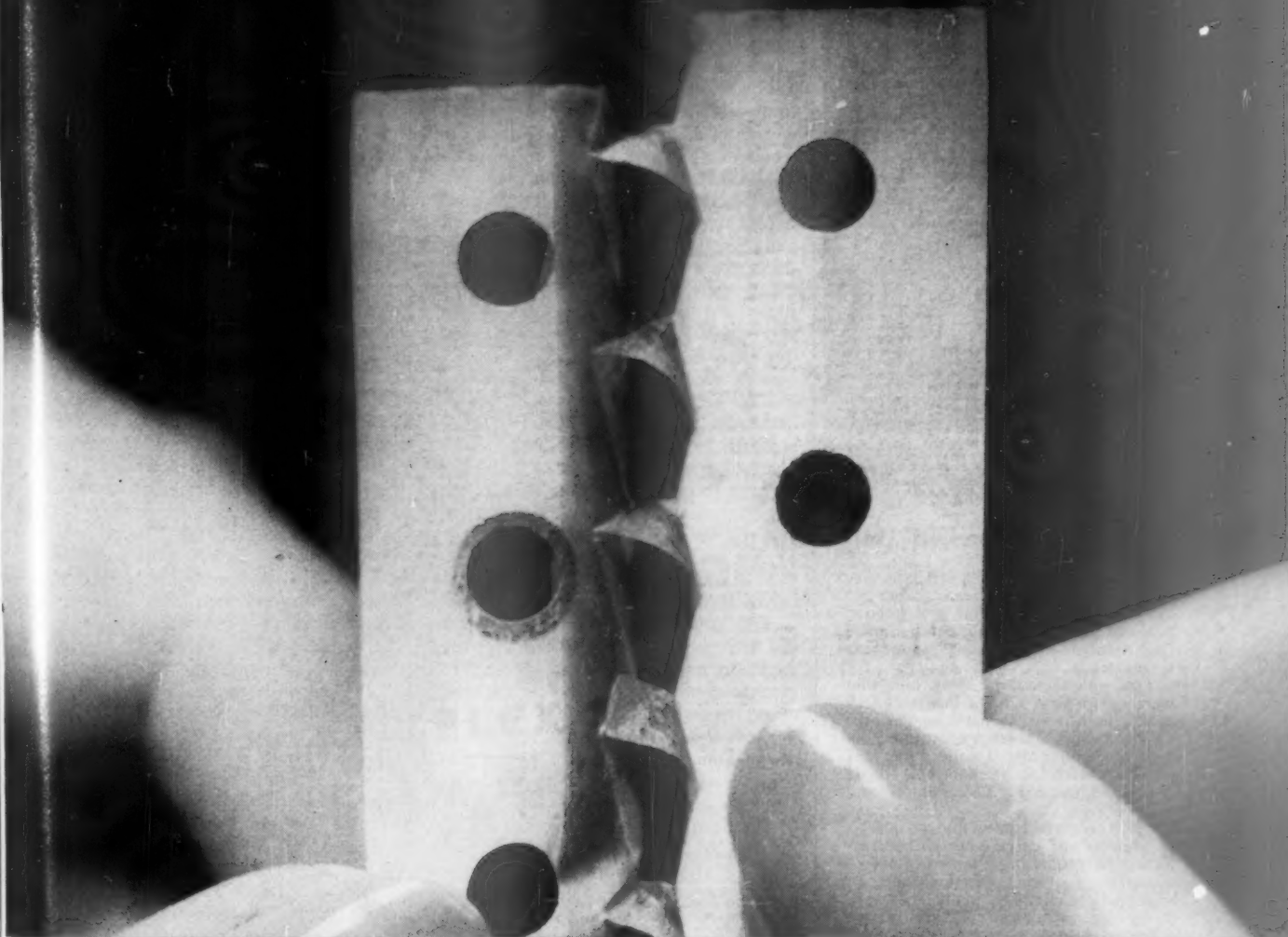
• **Expected Attribution**—Actually, the industry hopes to maintain the present work force through expansion of port business. It figures that an attribution rate of 500 men a year will help to take up the slack that remains. In addition, Bradley says that he hopes to get the New York Waterfront Commission "to close up the register," a move that will cut down the number of new hires.

The pattern negotiated in New York, according to Bradley, is normally followed in other ports.

But waterfront negotiations always contain their own surprises. Getting a complete agreement is frequently a sticky matter. "You don't know how the guys will act," says one waterfront union spokesman. "You think they've got the thing all wrapped up and out they'll go on a wildcat."

• **Guarded Optimism**—Despite the "touch-and-go" nature of last-minute talks on the waterfront, industry and union spokesmen agreed with the guarded optimism of Guy Farmer, chairman of the Presidential Taft-Hartley fact-finding board. **END**

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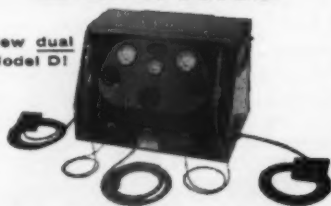
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New Tack Urged in Steel Talks

Mitchell asks union and company negotiators to turn unresolved issues over to nonpartisan experts to work out settlement before President returns to Washington.

Steel management and labor are now close enough in their bargaining positions that a contract can be worked out, Labor Secy. James P. Mitchell said this midweek. However, he indicated a worrying doubt that the parties can reach an agreement directly in the present atmosphere of tension and tempers.

Up to now, the Secretary has prodded negotiators for the basic steel producers and the United Steelworkers to get down, earnestly, to the job of reconciling their differences. He suggested something else this week. It is "an appropriate time" to turn unresolved questions over to the "unimpassioned" consideration of outsiders, he said.

• **Can Settlement**—Meanwhile, USW and two major can manufacturers reached an agreement on three-year pacts with an estimated cost of 28.2¢ an hour through September, 1962. Under its terms, the American Can Co. and Continental Can Co. will give 32,500 workers a 7¢ raise retroactive to Oct. 1 and the same increase in October of 1960 and 1961.

The companies agreed to increase the increment between jobs, to put 2¢ an hour more into pensions, and to give workers more in insurance and other fringe benefits. They agreed to limited cost-of-living raises (maximum 3¢ an hour a year) in the second and third years of the contract, none the first year.

American Can and Continental Can did not ask for contract changes such as those at issue in steel negotiations. They successfully resisted a number of union work rules demands.

The steel union and aluminum companies also resumed bargaining this week, with USW negotiators optimistic about the possibility of settlements.

The steel union's obvious objective: bargaining settlements in its other industries that might put the onus for failures of steel negotiations on the companies.

• **Alternative Proposals**—Labor Secy. Mitchell's proposals to the steel industry and union suggested:

- The parties could let a nonpartisan board recommend settlement terms.
- They could put unsettled issues before an arbitrator—preferably for a binding decision.
- Or they could request that the Federal Mediation & Conciliation Service recommend settlement terms.

• **Little Progress**—Behind the Mitchell proposals is this disturbing fact: Al-

though the parties have met with federal mediators almost daily since Pres. Eisenhower called on them to go into "round-the-clock" bargaining, they have made little or no progress toward a settlement. The industry maintains that it has made its final offer—the one to be submitted to its half-million workers in a T-H election in early January. The union is already campaigning for a "no" vote that would lead, inevitably, to a resumption of the steel strike on Jan. 27 against top producers—if not all of the industry.

• **Ray of Hope**—The positions of the parties are sharply opposed and tautly held. Even so, there is a conviction in Washington that an acceptable basis for a settlement can now be found through a fresh approach to the problems by "nonpartisan" experts. And to Mitchell this would not be outside concepts of free collective bargaining.

The union said it is willing to submit differences to an impartial board or let FMCS make recommendations; it balked at arbitration. An industry spokesman commented at midweek that its opposition to letting outsiders write contract terms is "pretty well known."

The Mitchell proposal that the industry and union voluntarily accept some form of outside solution of their differences could be the dropping of a first shoe. If it does not untangle the parties—and at midweek there was no indication it would—then a second, more insistent shoe might be dropped.

• **Mediators' Position**—For some time, FMCS Director Joseph F. Finnegan and the three top aides working with him for a steel settlement have had private views of how some troublesome issues in the dispute might be settled. As mediators, they are limited in what they can do; ordinarily, they do not make specific recommendations.

But, if the steel impasse continues, they might (BW—Nov. 28 '59, p117), even though both parties might not request recommendations—or welcome them. If the mediators do make recommendations they may be made privately at first but undoubtedly they will not stay private. Publicity will mobilize public opinion behind them.

Mitchell's proposals that the parties seek outside help in resolving their differences—and the possibility of recommendations from outside, even if they don't—are only one phase of the steadily increasing behind-scenes efforts to get the steel dispute settled. **END**

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Here, the government appears indifferent to the strength and stability of the railroads, while it promotes and encourages the railroads' competition.

Railroads are burdened with over-regulation and discriminatory taxation — while their competition uses highways, waterways and airways built and maintained by the government.

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In Labor

• • •

AFL-CIO Unions Pledge Over \$5-Million To Help Steelworkers If Strike Resumes

AFL-CIO affiliates have given or pledged more than \$5-million to the United Steelworkers to provide the union "material support" if it has to strike again in January. The federation considers this only a start toward "full mobilization of all the resources of the AFL-CIO behind the Steelworkers."

The federation's Pres. George Meany advised all unions, state and local bodies, regional offices, and other affiliates by letter last week that there is now "every reason to believe the Steelworkers will be forced to strike again on Jan. 26." He said that AFL-CIO subordinate bodies must give top priority to strike fund action at next regular meetings—if necessary, at special sessions.

"This is the fight of every single union member," he said. "The drive for funds will not end until the Steelworkers win."

AFL-CIO established a special strike fund for the Steelworkers at its convention late in September. The Administration invoked the Taft-Hartley Act and strikers returned to work before the fund machinery could be set in motion. With the urgency apparently gone, most federation affiliates moved slowly—if at all—to raise funds for USW.

Meany's latest letter is intended to prod them into immediate action—in part to strengthen the morale of the steel unionists, perhaps more to serve notice on steel employers that USW can count on full AFL-CIO backing for another strike after the present T-H injunction runs out.

• • •

Retirement Falls Flat Unless Workers Are Educated on Use of Their Leisure

Workers need to be educated for retirement—but they also need the income to enable them to enjoy it. This was the theme of labor's first major conference on factory leisure and retirement, sponsored last week by AFL-CIO's Industrial Union Dept. and attended by 75 union and university delegates.

Noting the problems arising from the industrial workers' shorter hours and earlier retirement, the conference laid out as union goals:

- More pre-retirement education on how to enjoy leisure.
- Bargaining and legislative programs to raise the income of retired union members.

The conferees debated, at some length, how near-retirees should be "educated" on the use of leisure. As IUD director Albert Whitehouse noted, "The union member who has spent his work life in the plant, raising his kids, visiting with his cronies, and fishing isn't going to be a patron of the arts or a literary light."

A Boston University sociology professor, Max Kaplan,

proposed that AFL-CIO help sponsor a \$250,000 Institute of Leisure & Retirement to continue the study.

Rep. John Brademas (D-Ind.) said Congress would continue to be heavily involved with the problems of retirement; as of last August, he said, some 700 bills "on the elderly" were before Congress.

• • •

Teamsters Will Cross Picket Lines To Keep on Right Side of Law

Teamsters members have been instructed to go through the picket lines of other unions to avoid possible legal penalties under the boycott provisions of the Landrum-Griffin Act. Other unions stand to lose powerful support for their strikes because of the order from the truckers' president, James R. Hoffa.

For years, many smaller unions have found their strongest weapon in a strike was the willingness of truckers to heed their picket signs. They no longer can count on this.

The new orders require truckers to drive through all recognition, organizational, and primary picket lines—with a single exception. According to Hoffa, the Teamsters will observe any primary picket line (one where the employer is required to recognize the union) if the striking union will agree to guarantee the Teamsters against losses through lawsuits or by any other action.

• • •

John L. Holcombe Heads Labor Bureau; Will Enforce New Labor Reform Act

Labor Secy. James P. Mitchell last week appointed a career public servant to head the new Bureau of Labor-Management Reports in the Labor Dept. John L. Holcombe, 48-year-old director of the Office of Programming & Control in the Defense Dept., will start his new \$17,500-a-year job Jan. 1.

Holcombe will be responsible for the enforcement of the reporting requirements of the Landrum-Griffin reform act. The bureau will receive and analyze 60,000 reports a year. As commissioner, Holcombe has authority to check compliance with the law and, in the Secretary of Labor's name, may bring civil action in federal district courts to enforce the act.

For aides, Holcombe has two men experienced in the field of labor relations and government, Morris Weisz, assistant commissioner for reports and analysis, and Daniel L. O'Connor, assistant commissioner for compliance and enforcement.

• • •

Textile Union Urges Raises

The Textile Workers Union of America is urging southern textile mills to grant "immediate" pay increases because of sharply increased profits this year and a brighter outlook for 1960. Mill owners granted raises last spring, generally 10¢ an hour.



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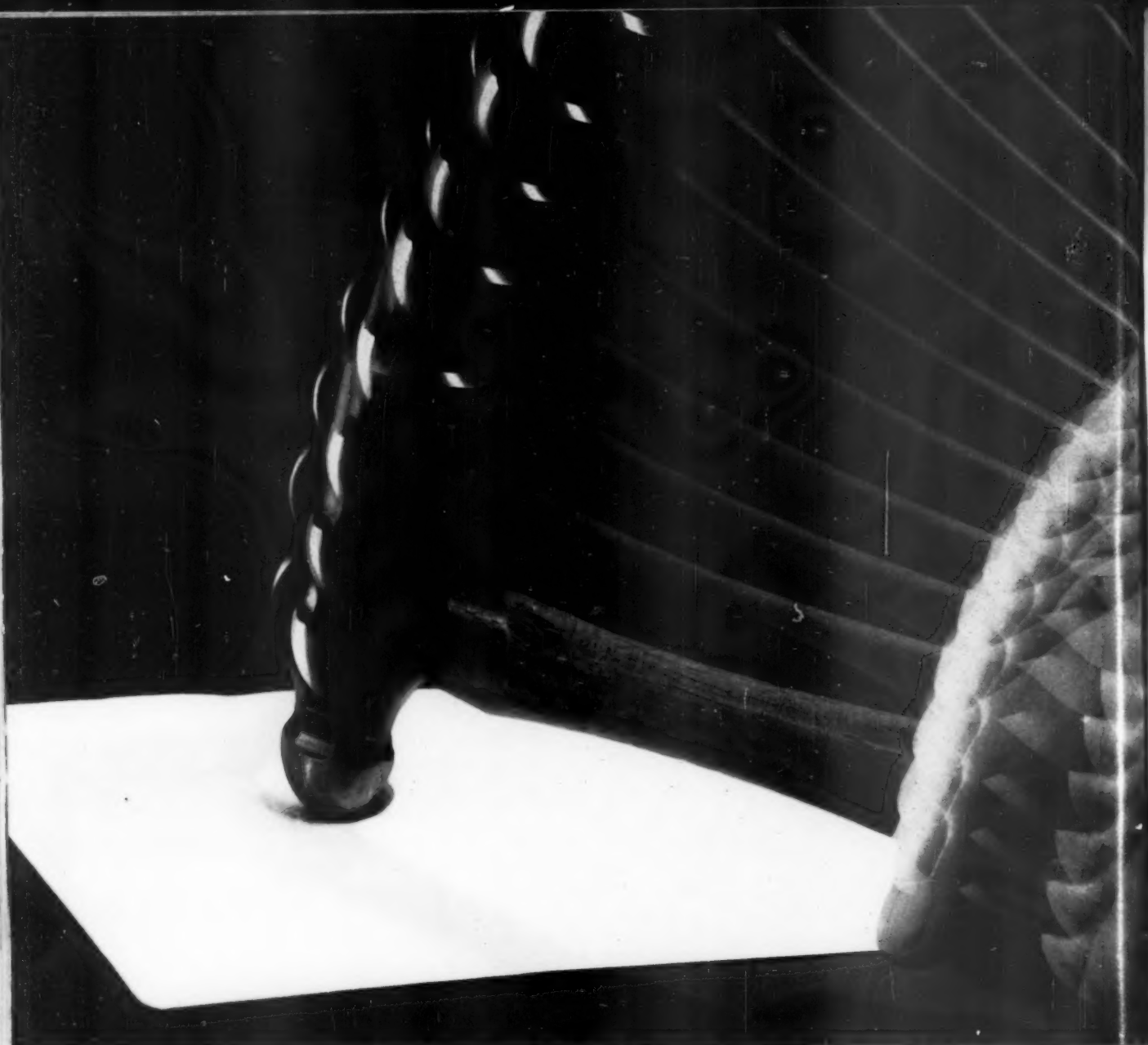
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PERSONAL BUSINESS

BUSINESS WEEK

DEC. 12, 1959



Still undecided about gifts for the women on your Christmas list? There's one present that is practically ideal whether it's for your wife, daughter, secretary, or a feminine friend—and that's perfume.

Although most men like to give perfume as a present (more than half the perfume owned by women in the U.S. was purchased for them by men), many are puzzled about what to select. The point to keep in mind when selecting a fragrance is that it's your reaction that's important. Women may dress to impress other women, but they wear perfume to attract and please men.

Giving perfume has several advantages. First, women consider gifts of perfume, quite apart from monetary value, flattering. Second, bottles are decorative and expensive perfumes come luxuriously packaged. And for the busy executive, perfumes can be bought fairly quickly—with no worry about proper sizes. Also, if last-minute delivery from the store is a problem, the gifts are easy to carry with you.

Figure on good perfume—distinctive fragrance, plus a lasting quality—costing anywhere from \$2.50 a dram ($\frac{1}{8}$ oz.) to \$100 an ounce. (The variety of ingredients used and involved blending processes contribute to the high cost.) Here's a sampling: Chanel No. 5, \$20 oz.; Tweed (Lentheric), \$14 oz.; Carnation (Mary Chess), \$18 oz.; Shalimar (Guerlain), \$18 $\frac{3}{4}$ oz.; My Love (Arden), \$22.50 oz.; Toujours Moi (Corday), \$25 oz.; Joy (Patou), \$50 oz.; Jasmin of Egypt (Tubache), \$100 oz.

Basically, there are seven types of fragrances: "Single florals," embodying the scent of a single flower; "floral bouquets," a blend of floral tones; "modern blends," floral or woody with a synthetic overtone; "orientals," sophisticated and rather heady; "woody-mossy," some with sandalwood, cedarwood, rosewood, gums, and balsams, others with earthy tones such as oak-moss, fern or herbs; "spicy bouquets," deriving their zest mostly from cinnamon, clove, vanilla, or ginger; "fruity blends," with a citrus or mellow peach-like scent.

Here's a rule-of-thumb guide for selecting the "right" perfume:

Floral fragrances are for ladies, young and old; "orientals," sometimes grouped as "exotics," for sophisticated and elegant ladies; "woody-mossy" or "forest" for outdoor types; "spicy" for the dynamic younger woman; and "modern blends" for active "personality" types.

These buying pointers also may help you: After stating the type and age (a guess will do) of the person for whom you're buying, decide what you like, not what the salesgirl may prefer—often she is paid to push certain products. Buy at a reputable store, where you will get a wide choice of the top perfumes and the services of experienced sales help. To keep on the right track, stick to name brands of French, or possibly Italian perfumes. And don't sniff more than three different perfumes without a break or you won't be able to judge. If you're debating whether to give perfume or toilet water, decide in favor of perfume. There's just no substitute for quality perfume in terms of "prestige" and popularity.

Incidentally, the "one fragrance" idea some women have is debunked by several perfumers. They say the nose is easily surfeited and after a while ceases to notice one scent. But if you know the preference of the person for whom you're buying, you can please her with a gift of her favorite as well as with a surprise fragrance.

If you've ever thought of stocking up on favorite perfumes while abroad, here's something to keep in mind. Most leading perfumers have

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

DEC. 12, 1959

trademarks registered in the U. S. That means they are permitted to restrict imports to one bottle per person of a particular fragrance in perfume, regardless of size, and to one bottle of the fragrance in a lesser strength. About 300 of the top fragrances are restricted in this way. You might check on this when buying abroad.

P.S. If you want to surprise a woman with a perfume you know she has never bought for herself, try Chaqueneau. It's sold only in a number of haberdasheries about the country for men to give to women.

—●—

Santa's helpers: You'll find that retailers selling the highest quality deluxe toys have managed to "beat" the steel shortage which is putting somewhat of a crimp in the general toy trade this season. Stores such as F. A. O. Schwarz (New York), Rich's (Atlanta), Marshall Field, and Carson Pirie Scott (Chicago), Neiman-Marcus (Houston), I. Magnin, and Amber's (San Francisco) report ample stocks of steel-made Christmas items.

Here are just a few of the unique Christmas gifts, mostly new this season, these stores are offering: Half-scale 1910 model T Ford, with 3-hp. engine (Marshall Field, \$395); old fashioned surrey with fringe on top, to pedal along (Carson Pirie Scott, \$50); pre-fab redwood playhouse for outdoors, 6 ft. by 7 ft., with windows, furniture (Neiman-Marcus, \$500); 1900 Packard runabout, with motor (I. Magnin, \$395); a life-size bison, somewhat lovable (Schwarz, \$475).

If you want to spend much less and yet give a youngster something that may mean a lot more, consider a small and simple boxed item called "Numbers in Color" a mathematics learning aid that can benefit nearly any child from 5 to 15. Arithmetic, algebra, geometry, and even higher forms of "math" are transformed from possible drudgery into intriguing gamesmanship (Cuisenaire Co., 246 East 46 St., New York 17, \$10).

—●—

Cold weather taxes: Following his physician's advice, a taxpayer with a heart ailment was in the habit of spending his winters in Florida. The Federal Tax Court recently decided that the taxpayer could deduct from taxable income not only his housing expenses in Florida, but also his travel costs—reasoning that the expenses would not otherwise have been incurred.

The case looks optimistic, and it is—within limits. If you're acting on doctor's advice, and if warm-weather therapy actually is indicated as a treatment for your particular condition, you'll likely get the housing-travel deduction. But if you bask in Florida's sun just because this happens to be a pleasant way to spend a period of convalescence, you'll probably receive a prompt "disallowed" notice from the IRS.

—●—

Potpourri: Headed south of the Rio Grande? A new traveler's aid is available—John Wilhelm's *Guide to All Mexico* (McGraw-Hill, \$3.95). It gives you an insider's view of plushiest resorts. . . . Christie's, London's fine arts auctioneer, soon will have a New York subsidiary on 57th Street (BW—Apr. 11 '59, p. 129). . . . Checker Motors' new Superba sedans and station wagons (page 150) are safety-conscious—they have taxicab heavy-duty frames, and extra large brakes (Checker Motors, \$2,542 to about \$3,000). . . . Now private plane owners can use the American Express credit card to charge maintenance and service at 170 airports, coast to coast.

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NEW PRODUCTS

Now It's Compact Diesel Engines

The trend to compactness is opening new markets for the improved power plants coming from manufacturers such as Caterpillar Tractor.

Out in Peoria, many-footed Caterpillar Tractor Co. is pointing several toes toward new diesel engine markets. The company—known for short as “Cat”—says the move is cautious. But it is backed up by a line of new compact engines and an imposing \$25-million investment in a new 13-acre engine plant, and some Cat officials think the Engine Div.’s share of company business may swell from the present 10% to perhaps 50%.

At the same time, other companies among the 50 or more that make diesel engines of some sort are also offering improved products and scrambling with Cat for the new markets. One of the most dramatic selling points is a reduction in the ratio of both weight and cost to horsepower.

• **New Engines, New Outlets**—Caterpillar has been manufacturing diesel engines for a long time—in the Tractor Div. for its famous tractors and in the Engine Div. for construction equipment and earthmovers (its own and outsiders’), marine work craft, and in-

dustrial applications such as specialized vehicles, standby electric plants, and torque converters. But with the new engines it’s gunning for sales in other markets—diesel trucks, pleasure boats, and the oil fields, for which Cat has some new diesels burning natural gas to add to the conventional diesels it has already been selling there. These markets are opening up, thanks to the improved power plants.

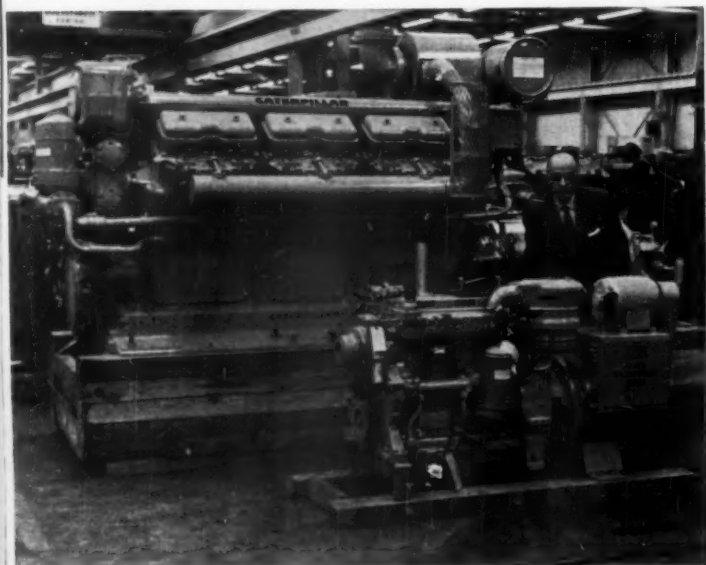
Most companies in the industry are effusively bullish about the future of diesels in trucks (BW-Jan.10’59,p54). Says Henry H. Howard, vice-president of the Engine Div. (cover and pictures): “I do not see great unfolding markets for the diesel engine—rather just a constant growth rate. We’re going into trucks and yachts where weight, space, and economy are important because we think our new engines are as competitive as any on the market.”

• **A Lot of Diesels**—Whether diesels are in a boom or simply “constant growth,” they are growing fast. It’s hard to find published figures, but one industry estimate is that about 200,000 diesel engines of all types will be manufactured this year; in 1955, production was probably about 165,000.

Increasingly keen competition is expected to keep output climbing. Like Caterpillar, the manufacturers are vying for each others’ established markets and



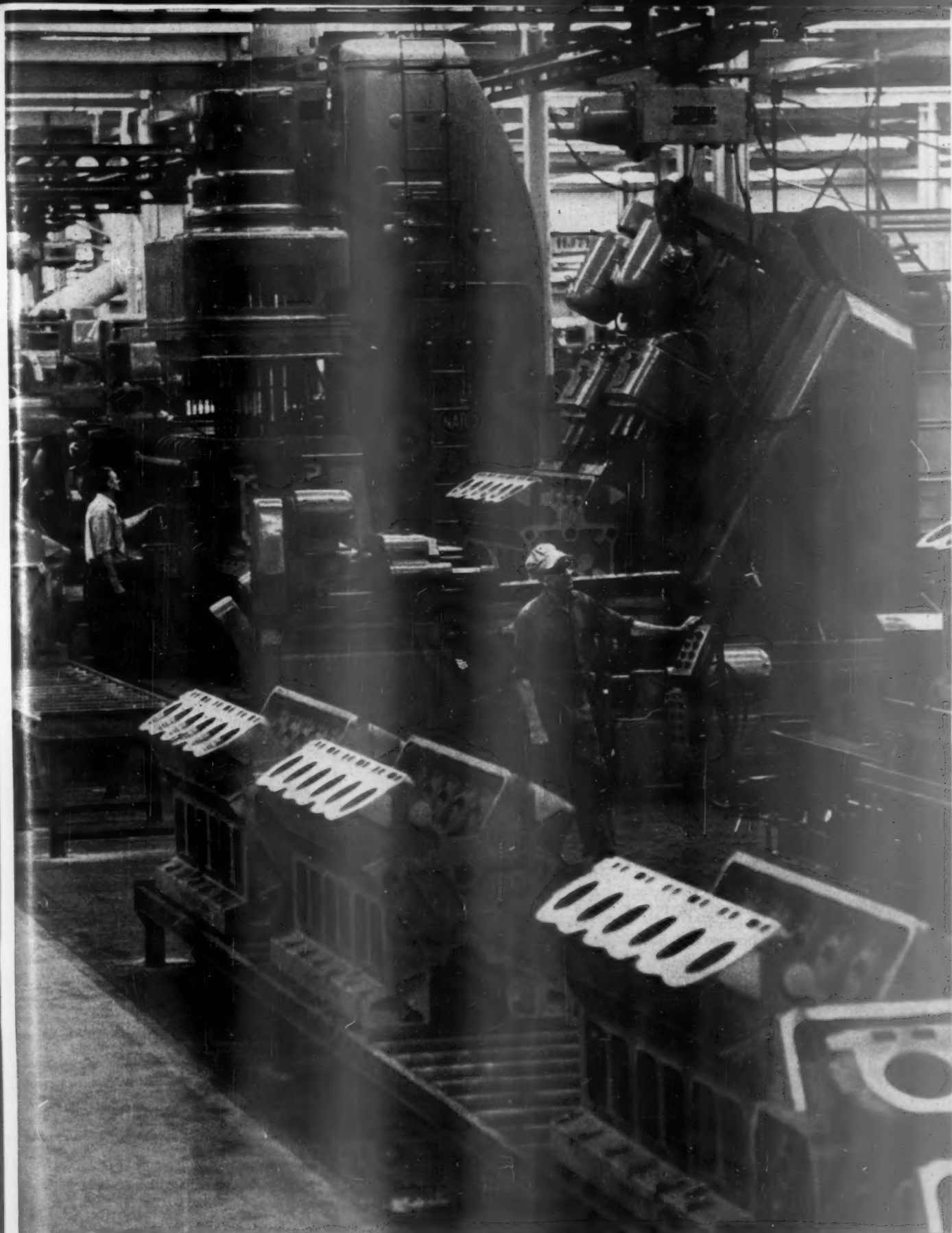
BOSS of Caterpillar’s Engine Div., Vice-Pres. Henry H. Howard, speaks of new ventures as a “big tiger” for Cat.



IN NEW PLANT, Fred V. Jacobs, general sales manager, checks samples of Cat’s biggest and smallest diesels.

INSPECTOR checks measurements of cylinder in a new diesel as part of program to control quality.





LINE of boring and drilling machines in new plant keeps diesels moving. Plant can produce 125 engine configurations.

for new ones. In truck diesels, for instance, where Cummins Engine Co. now does more than 50% of the business, there's jostling from Hercules Motors Corp., Mack Truck, International Harvester, General Motors' Detroit Diesel Div., and Cat—all with new engines, mostly for trucks of up to 33,000 lb. gross vehicle weight (gvw.). In the lower horsepower ranges, Perkins of England, Mercedes Benz of Germany, GM, and Hercules are all trying to sell engines for taxicabs; J. I. Case, Ford Motor Co., and Minneapolis-Moline have small diesels for tractors.

Similar contests are going on for sales of industrial engines with 200 to 300 hp. Allis-Chalmers, Detroit Diesel, Cummins, Waukesha Motor Co., Murphy Diesel, Harnischfeger Corp., and Cat all boast new engines with horsepower boosted as much as 20% from basic designs. Power has also been added to the larger, heavy-duty diesels of such manufacturers as Fairbanks-Morse and White Motor.

• **Battle Formation**—In the competitive scramble, Caterpillar will be trying for a place in the market for pleasure boat engines, now dominated by GM. Meantime, it will be fighting off attempts by Cummins, Waukesha, and Chrysler Corp. (through the German Deutz line) to steal some of its barge and work boat business. And it will be locking horns with Waukesha for sales in the petroleum country and with other companies for other markets.

I. Smaller and Better

The main feature of the competition is the race to sell diesels where gasoline engines now go—something that only now is becoming widely feasible. The diesel is no longer hard to work on, noisy, smelly, and very expensive. Thanks to refinements, says Cummins executive W. D. Blizzard, "the modern diesel engine is actually less complicated than a gasoline engine, requires less maintenance and fuel."

In part, this is because a diesel has no electrical ignition system, no carburetor, and fewer moving parts. But diesel components take brutal punishment because the engines have much higher compression ratios than their gasoline counterparts. Even so, diesels have the reputation of lasting longer than gasoline engines, even at tougher jobs. To live up to this reputation, they have had to be big and rugged and thus more expensive per unit of power than gasoline models.

This pattern is changing, however. Predicts an official of International Harvester: "In the not too far future, diesels will come close to matching gasoline engines on a dollar-to-dollar basis." Hercules Pres. William L. Pringle backs him up: "The only cost

difference now between gasoline and diesel engines," he claims, "is the expense for fuel injection equipment and pumps." This difference will be eliminated by mass production, he thinks.

• **The Compact Trend**—Behind the change is a trend to compactness in diesels that will really make itself felt in 1960. Primarily, compactness means lower weight-to-power ratios, achieved by using less metal, lighter metal, or various techniques to boost the horsepower of existing engines. (In general, "compact" doesn't mean "small"; companies such as R. H. Sheppard Co., D. W. Onan & Sons, Inc., and American Marc (BW—Aug. 15 '59, p. 128) are already specializing in small diesels—under, say, 75 hp. Nor does the trend apply to the really big diesels, such as those used in locomotives, ships, and stationary power plants.)

In the industry, a compact diesel is defined roughly as weighing less than 12 lb. per hp. (Comparable gasoline engines average 4 or 5 lb. per hp.) In the past it hasn't been uncommon for an industrial diesel to weigh as much as 80 lb. per hp., and heavy-duty diesels often still exceed 20 lb. per hp. But weight can make a big difference in economy of operation, vehicle construction, and center of gravity, among other things.

• **Figures**—The newest Hercules diesel with power-boosting attachments weighs in at about 5.5 lb. per hp., and the entire Hercules line now averages only 10 to 12 lb. per hp. Caterpillar, Detroit Diesel, and Cummins are all around the 10-to-1 ratio with their new industrial models. Cat says it could raise horsepower on its newest engines 15% to 25% by changing fuel settings and increasing revolutions per minute; the weight-power ratio would then be only 7 or 8 to 1. But it hasn't done so because the move would impair fuel economy.

Compactness has been attained chiefly by these techniques:

Weight saving, through use of aluminum and better alloys. Cat employs aluminum for flywheel housing and engine covers. Manufacturers also try to obtain durability with less metal.

Putting engines into smaller envelopes—a necessity if diesels are to supplant gasoline engines. Hercules, International Harvester, and Detroit Diesel claim their diesels are already streamlined because they evolved from gasoline engines—or the companies are oriented toward them. However, Caterpillar has made compact diesels without gasoline engine experience; Howard says Cat's models are smaller in silhouette than Detroit Diesel's comparable engines and smaller and lighter than Cummins'. Some people think it has been harder for Cummins than for some of the others to move to-

ward compactness because it has so much tied up in big truck diesels that it isn't so free to experiment.

Boosting horsepower. Instead of building slow-turning engines with low horsepower and high torque, diesel makers are trying the same tricks employed in gasoline engines—increasing revolutions per minute and attaching outside superchargers and turbochargers to increase the flow of air to the engine.

The trend toward higher engine speeds shows up even in industrial engines. Waukesha's latest models go up to 2,200 rpm., for instance. Most Cat engines develop peak horsepower at 2,400 rpm. The industry's highest-speed engine is probably International's new 301-cu.-in. truck diesel, developing 110 hp. at 3,000 rpm.

II. Power for the Road

Much of the new drive in the diesel industry is to take original equipment markets away from gasoline engines. But the manufacturers would also like to sell their new compact power plants as replacements for gasoline engines in trucks already on the road. This is what they call repowering. It now accounts for only 25% of diesel sales, but is a likely growth area for 1960 sales.

"Any truck owner who drives his vehicle more than 30,000 to 40,000 miles annually can't afford not to repower with a diesel," says a Detroit Diesel man. If the driving is in the city, he'd make the figure 15,000 to 20,000 miles a year. The industry claims that at these mileages the diesel's higher purchase price will be made up in less than two years through savings on fuel and maintenance. For most truckers, diesel fuel costs only 25% to 75% as much as gasoline, depending on local taxes, engine type, and driving.

• **More for Trucks**—The industry hopes that next year, with sales for both original equipment and repowering, trucks will take over as the biggest market for diesel engines. At the moment, more diesels are in construction equipment than anything else. The auto industry estimates that about 35,000—or more than 15% of all diesels made annually—go into trucks; the figure may hit 50,000 next year.

Some diesel makers think they've erred in concentrating on heavy trucks, into which most of their engines have gone; vehicles of more than 24,000 lb. gvw. account for only 8% or 9% of the 11.2-million trucks registered. Cummins thinks about 550,000 of the 1-million trucks on the road between 12,000 and 16,000 lb. gvw. are suitable for diesel repowering. So it's offering engines for trucks of from 6,000 to 26,000 lb. gvw. International is installing

diesels as original equipment in its 16,000 to 22,500-lb.-gvw. trucks.

• **Taxis**—Diesels for taxis are in the same class as those for light trucks. Cabs don't usually last long enough to need repowering. Even so, Robert Hunter of Detroit Diesel predicts: "In five years, 20% of all cabs on the street will be diesels. No other group can utilize diesel economy and trouble-free life to better advantage." In one 38,000-mi. test, operating cost per mile, including repairs, was 1.3¢ for a diesel cab, 3.22¢ for a gasoline model.

GM, Perkins, and Hercules are touting diesels for cabs in smog areas on the ground that diesels leave only 0.2% of hydrocarbons unburned in the exhaust, compared with 5% for gasoline.

Outside trucks, original equipment markets are probably more important than repowering. But Cat thinks perhaps 4,000 diesels could be sold annually to repower marine craft.

III. The Cat's "Meow"

Caterpillar isn't banking on a growing truck market alone; it's trying to adapt its engines to as many industries as possible. No one segment of the Engine Div. does more than 30% of its business. For example, it's eyeing pleasure boats, and it claims its yacht, Meow, a Roamer steel boat with two 130-hp. diesels, will outperform twin Chevrolet Corvette 185-hp. engines. Both can turn about 33 knots.

The company also is interested in standby electric power installations, which will probably need 10,000 diesel engines of various sorts next year, and irrigation pumping equipment. Here the demand over the next decade is estimated at 12,000 natural gas engines, 6,000 LP-gas engines, and 4,000 diesels.

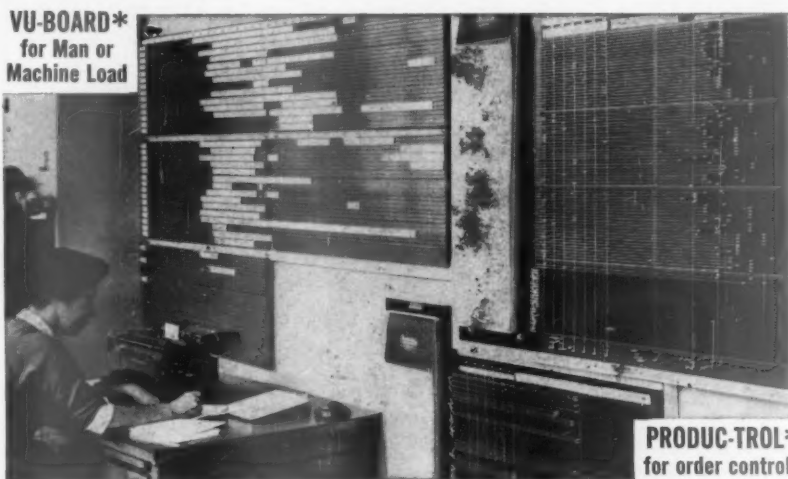
• **New Plant**—Cat's \$25-million investment in a separate engine plant—part of a \$200-million company expansion program—stems from overcrowding in previous facilities. Some of the newest production ideas have gone into it.

On two lines—one for V-types, one for in-line engines—Cat can turn out engines ranging from 50 to 730 hp., from several hundred pounds to six tons. The two lines can produce about 125 different diesel configurations in eight basic sizes.

The V-12 and V-8 engines, carbureted for natural gas, are the company's bright hope for more business in oil fields and irrigated areas. In its new industrial engines, it has worked out a number of devices to make them last longer, such as a sealed unit fuel injection system. There are other innovations such as a valving system in the turbocharger that surges instead of lagging when quick acceleration is needed. **END**

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DOTTED line shows how capacity of conventional 12-cu.-ft. unit compares with that of thin-wall of same size.



INSULATION for thin-wall includes a thin sheet of glass fiber, which breaks up thermal currents.

More Room in the Family Ice Box

Hotpoint's 18-cu.-ft. thin-wall is the same size as its old 12-cu.-ft. model, but holds 50% more food.

Hotpoint Div. of General Electric Co. last week announced its Wonderall, a new thin-wall refrigerator that increases by 50% the amount of food that can be crammed into the same size refrigerator. According to appliance people, Hotpoint's breakthrough caught the rest of the industry napping.

Getting the same efficiency of insulation out of a thinner wall is the key to the Hotpoint development. By using Freon, the company shaved refrigerator walls from 3 in. to about 1½ in. As a result, Hotpoint can put an 18-cu.-ft. refrigerator into the same kitchen niche as one of its older 12-cu.-ft. models.

The thin-wall insulation is, essentially, a kraft paper and plastic envelope containing Freon gas, which acts as the insulator.

• **Step by Step**—The envelope walls—a laminate of Saran and polyethylene films and 40-lb. kraft paper—are only seven mills thick, which simplifies tool-

ing. Two pre-cut sheets are heat-sealed electronically on three sides to form a bag.

This liner is first inspected for leaks. A spoonlike machine then inserts a layer of glass fiber into the envelope. The bag is put into a vacuum chamber, emptied of air and filled with Freon, and finally sealed. (The glass fiber breaks up thermal currents, a problem that has plagued other engineers who have tried to develop an air wall.)

The last step is to test the Freon-filled insulation in a leak detector. Here, the insulation is subjected to a high vacuum. If even a few molecules of Freon leak out, a bell rings. According to Hotpoint, the detector will spot a leak so small that only a fifth of an ounce of Freon would escape in a century. From this point, the Freon-filled envelope is handled like any other insulation—such as spun glass—that is stuffed between the walls of a refrigerator.

• **Competition**—At present, Hotpoint is producing only an 18-cu.-ft. combination refrigerator-freezer, which for the most part uses the same components as its thick-wall 14-cu.-ft. model. It even uses the same shelving arrangements,

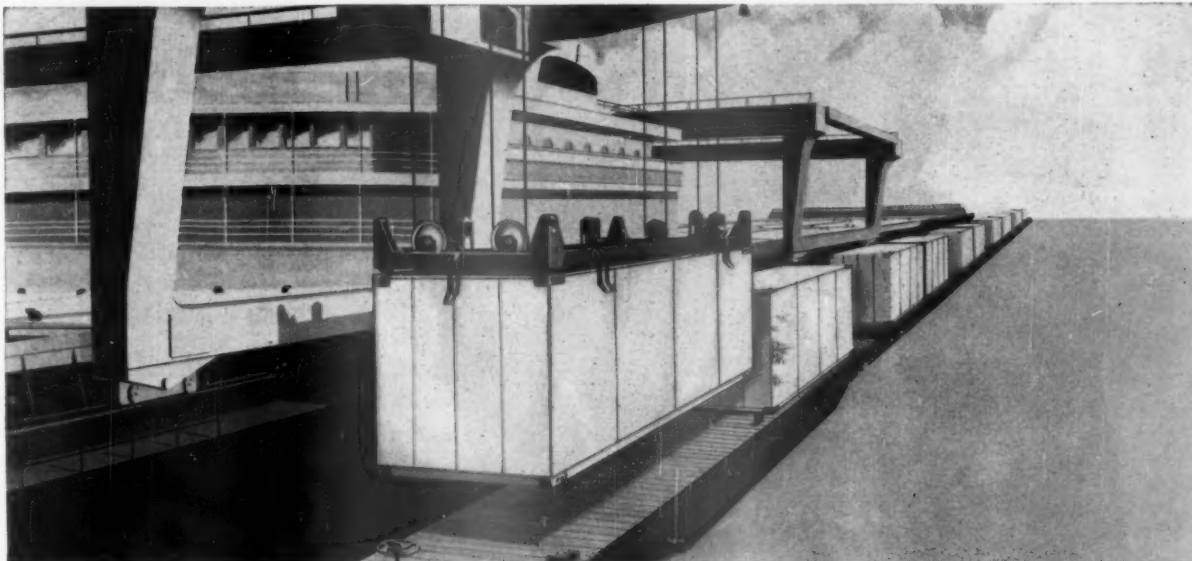
which means savings in tooling costs.

Refrigerator manufacturers have been working on the development of a thinner model for a long time. GE, for one, has also tried vacuums, but found them too expensive to fabricate. Admiral Corp. has just announced a thin-wall of its own: By using conventional spun glass of a higher density, it has cut the width of its insulation by ¼ in. and increased cubic capacity by 10% to 15%. Foam-type insulations reportedly are also being investigated by GE, Westinghouse Electric Corp., and Frigidaire Div. of General Motors Corp.

• **Market Boost**—Hotpoint's breakthrough also solves several basic marketing problems. Generally, appliance makers have been stymied as to how to build larger-capacity kitchen units. Since there is only so much space in a kitchen for a range, washer, drier, or refrigerator, designers have been hard-pressed to increase capacity of these units as much as housewives would like. In effect, Wonderall is a refrigerator reducing pill. Using its technique in freezers is the next logical step.

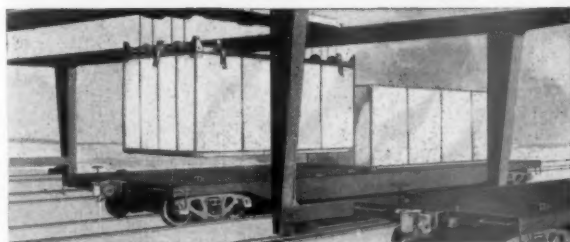
More immediately, Hotpoint feels it will stimulate a saturated (above 90%) and stagnant refrigerator market. In

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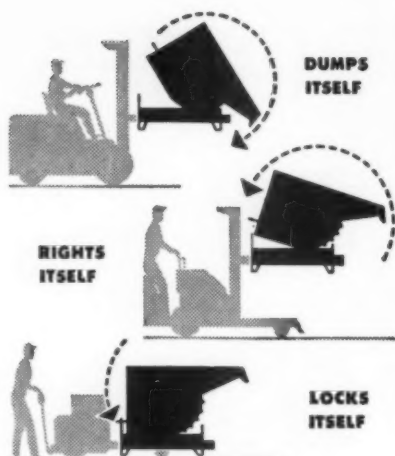
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1959, probably 3.5-million refrigerators will be sold. These will replace units averaging 11 to 12 years in age. Hotpoint marketing people think that if obsolescence is made only slightly greater through the design, the market could increase as much as 10% in 1960.

Hotpoint hasn't set a retail price on its new 18-cu.-ft. model, but a good guess is around \$600—competitive with 16-cu.-ft. models now on the market. Dealers are slated to get the new model by the end of January, and Hotpoint expects to market a complete line of thin-walls shortly after.

• Breakthrough—Taking a longer view, Hotpoint sees the thin-walls as a natural for built-in refrigerators, and predicts that 22-cu.-ft. and 25-cu.-ft. combinations are not too far off. As one spokesman puts it, "We're getting back to the old days of walk-in coolers."

And in combination with commercial thermoelectric cooling units, thin-walls should help make possible the concept of separate compartments—for vegetables, ice, beverages, etc.—that can be spotted around the kitchen at their point of use.



Platinum Plateware

Laboratory dishes to be used with corrosive chemicals at high temperatures, up to around 1,000F, are ordinarily made of solid platinum. They are expensive and, because they're made as thin as possible in order to keep their costs down, they are shortlived. The Metals & Controls Div. of Texas Instruments is now marketing platinum-clad vessels (picture) that last much longer yet cost only one-quarter as much.

The new lab ware is four times as thick as solid platinum dishes. It consists of a platinum layer 0.002 in. thick on an 0.033-in. shell of stainless steel.

Crucibles in the 40-cc. size are priced at \$35, and 100-cc. dishes at \$46.50.

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• • •

Taxi Maker Finds a New Fare:

Checker Unveils Passenger Cars

After two years of getting ready, Checker Motors Corp., the Kalamazoo maker of taxicabs, last week unveiled its Superba passenger car in New York.

The Superba comes in two models, sedan and station wagon. The selling point is that beneath standard decor they have cab-like virtues: The same extra height, the high flat floor in the rear (no drive shaft "hump"), the solid double shell, even—as an option on the sedan—two jump seats to raise passenger capacity to eight.

Mechanical differences from the cab are mainly in the brakes and springs, to give a smoother ride, and the more powerful motor. The Superba has a 96-hp., straight-six Continental engine; a 125-hp. overhead-valve version is optional. The car is 199.5 in. in over-all length, about a foot shorter than a Ford, Chevrolet, or Plymouth. Basic suggested prices are \$2,542 for the sedan and \$2,897 for the station wagon, including federal tax.

For Checker Pres. Morris Markin, the Superba means help toward staying in the black, which Markin says he hit in October for the first time in many months. Odds on this are hard to figure, since Markin says he invested "don't ask me how much" in retooling, mostly for new presses and an added production line for the station wagon.

To sell the Superba, Checker is relying on its cab dealers until it completes a network of 200 or so franchised distributors.

If the Superba does make money, it will disprove an old Detroit saw about the unprofitability of small-volume production. About 16,000 will be produced in 1960.

• • •

Air Conditioner Runs on Gas;

Carrier Develops New Purifier

An air conditioning unit that uses a radical "free piston" principle and can run directly on natural gas will be available to homeowners worried over electric power bills.

The neat trick for the new engine is that it acts both as the refrigerant compressor and the source of power for the compressing action. Essentially, this engine consists of a mechanically unattached piston—the engine's only moving part—bouncing back and forth in a simple cylinder. A fuel-air mixture burned at the power end drives the piston down, compressing the refrigerant at the other end. On the bounce-back, the piston compresses the fuel-air mixture, getting the engine set for the next power stroke.

Battelle Memorial Institute developed the device, with backing from the American Gas Assn. Robertshaw-Fulton Controls Co. has an exclusive license to make and market it.

MORE NEWS ABOUT PRODUCTION ON:

- P. 153—New Sun tankers include many cost-shaving features, emphasize safety.

The compressor engine is designed to handle commonly used refrigerants such as Freon. It can run on gasoline and bottled gas, as well as natural gas, and so is expected to offer distinct advantages in automotive air conditioning.

Another development on the air conditioning front is Carrier Corp.'s new air purifier. Designed to be teamed up with a central air conditioning unit, it can control the humidity as well as the cleanliness of the indoor air.

The new Automatic Air Purifier will absorb all common household odors, including those from cigarette smoking, according to Carrier, and will have the effect of completely airing out a home every 30 to 40 minutes.

One great advantage, Carrier says, is the unit's efficient built-in filter cleaning system, which eliminates the need of periodically cleaning or changing the filter. The filter element, a series of layers of aluminum mesh screen, is automatically bathed every 20 seconds by an odor-absorbent liquid that Carrier calls Carrex. The new unit, installed in an average size home, costs \$250.

• • •

Whitehouse Plastics Prospectus Shows

Lower Net Worth Than BW Reported

In an article on Whitehouse Plastics Corp. of Fort Worth, Tex. (BW—Nov. 21 '59, p176), BUSINESS WEEK incorrectly stated the net worth of the company as "over \$4.5-million." This figure was not the net worth. It was the company's estimate of the approximate value of its total assets.

An offering circular filed by Whitehouse Plastics Corp. with the Securities Commissioner of Texas, dated Nov. 2, 1959, relating to the sale of certain securities, contains a consolidated balance sheet for the company and its wholly owned subsidiaries, Whitehouse Chemical Co. and North American Mfg. Corp. This balance sheet shows a stockholders' equity, or net worth, of \$317,324.85, as of July 31, 1959, based on a valuation at cost of acquisition of all assets except inventory, which was valued at the lower of cost or market. Value of total assets shown on the balance sheet is \$2,172,119.42.

On the basis of current appraisal rather than acquisition costs, the company estimates its net worth in the neighborhood of \$1.5-million at the present time. No valuation on this basis is made in the prospectus.

The BUSINESS WEEK article correctly quoted the company as estimating its sales of all products for the calendar year 1959 at approximately \$8-million. It did not make clear, however, that this estimate included sales for the full year by North American Mfg. Corp., which was not acquired by Whitehouse Plastics Corp. until June 4, 1959. The estimate also included intercompany transactions amounting to \$556,038.39 which were eliminated from consolidated sales as reported in the company's prospectus.

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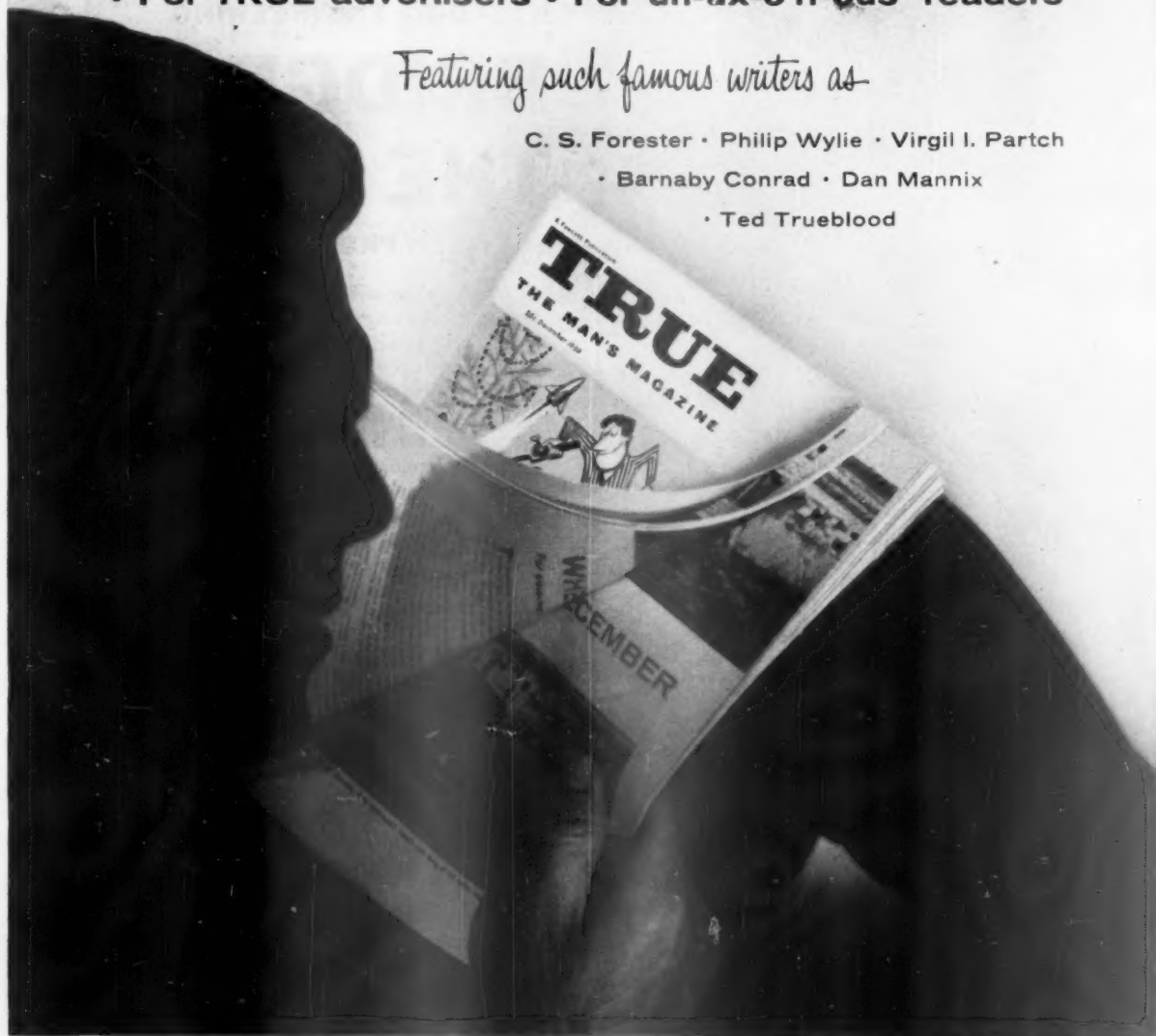
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For many firms with promising processing ideas, Kellogg engineers have helped develop theoretically possible techniques into commercially successful plants.

Such was the case recently with a process for using natural gas in place of coke blast furnaces to get iron from iron ore. This original development of Hojalata y Lamina, now brought to perfection and known as the HyL Process, is currently producing 200 tons of sponge iron daily at the Fierro Esponja plant in Monterrey, Mexico.

The M. W. Kellogg Company made significant technical contributions both to the HyL Process and to the construction of the plant. It is now building a second HyL Plant in Mexico—with a 500 ton/day capacity.

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Safety First on New Supertanker

Sun Oil Co.'s 50,000-ton carrier of crude isn't the biggest, but a number of new features make it among the safest.

With the increasing demand for oil from faraway fields has come a trend toward bigger and bigger ships to transport it. World War II's T-2 tankers were replaced by supertankers, which have, in turn, recently been dwarfed by super-supertankers, so big that slightly less gigantic vessels must meet them at the entrance to some East Coast harbor channels and bring the crude on in from there.

Some tankers now are rated at as much as 100,000 deadweight tons—the amount of cargo a ship is designed to carry. But others, such as the hefty vessels owned by oil companies using the East Coast ports, seem to have leveled off at 45,000 to 50,000 deadweight tons.

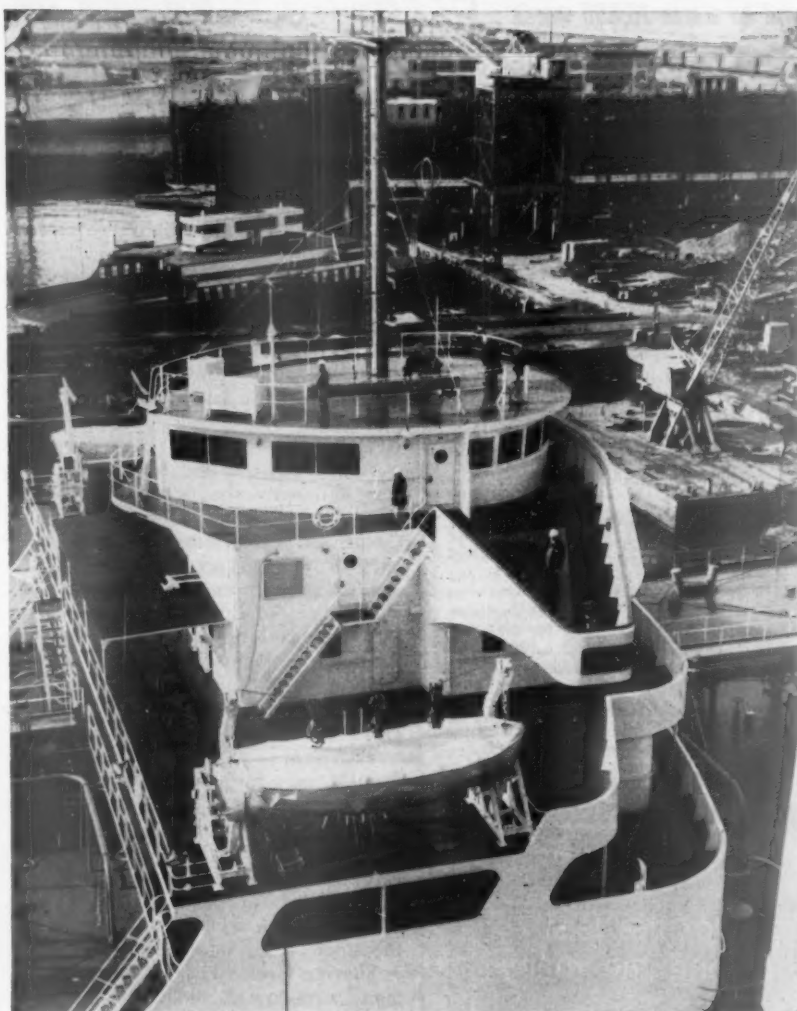
Newest member of this class is Sun Oil Co.'s 50,000-ton Pennsylvania Sun (pictures), which was put through a trial recently by its builder, Sun Shipbuilding & Dry Dock Co., a Sunoco subsidiary. The new ship—to be joined by an identical sister late next year—is a good example of the most recent type of supertanker.

• **Dimensions**—The Pennsylvania Sun, 745 ft. long from stem to stern and 102 ft. wide, can carry 417,000 bbl. (17.5-million gal.) of crude and pump the entire cargo on or off in only a little more than 14 hours. Its speed is rated at 17 knots.

The design incorporates a number of special features for safety's sake. For example, a teardrop-shaped pilot house gives the pilot an unobstructed view in every direction—important in congested channels. The pilot house windows are canted and tinted. Whirling glass disks clear them of rain more quickly and thoroughly than conventional window wipers.

Navigational gear usually scattered around the bridge is centered in one bank. In addition to the usual compass and Loran installations, there are two radar stations. One of them is equipped with a memory so that it can trace the path of other ships throughout the time they are visible to radar, instead of simply pinpointing a location. A special hookup makes it possible for the radar system to take pictures at extremely short range; this way, in a fog the ship can be docked entirely by radar.

In the chart room, a dead reckoning analyzer, the first installed on a tanker, automatically figures the ship's latitude



PILOT HOUSE atop bridge of the Pennsylvania Sun is teardrop-shaped and surrounded by windows to give the pilot an unobstructed view of traffic in harbor channels.

NAVIGATION equipment is all in one place on the bridge. The array includes radar with a memory—to trace other ships—and device to figure position automatically.



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elevator to take the chief
engineer to and from the
engine room . . .

(STORY on page 153)

and longitude from its approximate
speed and compass course.

• **Less Danger of Blast**—Built into the
Pennsylvania Sun is the flue gas system
unique to Sun tankers, where it has
been standard for three decades as a
means to lessen the danger of explosion
while tanks are being filled or refilled.
The technique is to divert the inert flue
gas from the stack, scrub it, and run it
into the tanks during loading or un-
loading to dilute vapors from the crude.
On the new vessel, the installation cost
\$120,000.

A new twist in the fresh water sys-
tem eliminates the need for two sets
of tanks and piping. Ordinarily, a ship
distills sea water into fresh by a low-
pressure flash evaporation process that
doesn't generate enough heat to kill all
the bacteria; so water for drinking has to
be specially and separately treated.
Aboard the Pennsylvania Sun, a new
heating device purifies all the 24,000
gal. of water distilled in a day and makes
every ounce of it potable.

The ship's quarters are very com-
fortable, even for crewmen. Every mem-
ber of the 46-man crew (only eight
more than on Sun's 30,000-ton tankers,
which handle 52,000 bbl. less) has a pri-
vate room, ranging upward in size from
the ordinary seaman's 8x16-ft. space.
There's even a private elevator to take
the chief engineer to the engine room.

• **Shaving Costs**—The designers found
many ways to save money in construc-
tion of the Pennsylvania Sun—particu-
larly important with U.S. shipyards
backed against the wall by foreign com-
petition and with \$10,000 differences
in bids winning multimillion-dollar
contracts. The economies in the \$13-
million Sun job included:

- Use of flexible ducting in the air-
conditioning and ventilation systems to
eliminate expensive angle fittings.
- A flat deck, cheaper to construct
than the usual gently convex one.
- Package units instead of special
designs in the fuel heating system.
- A 50% reduction in the amount
of cable used by feeding the regular and
emergency electric systems through the
same distribution controls.
- Placement of boilers and genera-
tors on the same operation level, to
eliminate a number of ladders and sim-
plify engine room operations.

Even the safety features contribute
to thrift by bringing Sun lower insur-
ance rates than it pays on its smaller
vessels. Rates may even go lower. **END**

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CO.3
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Agency—Arndt, Preston, Chapin, Lamb & Keen,
Inc.

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ASSN. OF AMERICAN RAILROADS131
Agency—Benton & Bowles, Inc.

AVIS, INC.83
Agency—McCann-Erickson, Inc.

THE BASSICK CO.50
Agency—James Thomas Chirurg Co., Inc.

BENDIX AVIATION CORP.85
Agency—MacManus, John & Adams, Inc.

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Agency—The Altkin-Kynett Co., Inc.

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Agency—Andrews Agency, Inc.

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Agency—Fuller & Smith & Ross, Inc.

CITY OF JACKSONVILLE, FLA.126
Agency—Newman, Lynde & Assoc., Inc.

CLUES (CLASSIFIED ADVERTISING)154

COLE STEEL EQUIPMENT CO., INC.59
Agency—Daniel & Charles, Inc.

COMMITTEE ON STEEL PIPE RESEARCH96
Agency—Smith, Taylor & Jenkins, Inc.

CONSUMERS' GAS148
Agency—Walsh Adv. Co., Ltd.

CONTINENTAL MOTORS CORP.120
Agency—The Hopkins Agency

DEVILBISS CO.104-105
Agency—Brooke, Smith, French & Dorrance, Inc.

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Agency—Fuller & Smith & Ross, Inc.

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Agency—The Condon Co.

DOW CHEMICAL CO.8-9
Agency—MacManus, John & Adams, Inc.

DRAGO CORP.64
Agency—Ketchum, MacLeod & Grove, Inc.

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Agency—Batten, Barton, Durstine & Osborn, Inc.

EDMONT MFG. CO.92
Agency—Maurice Mullay, Inc.

ELECTRONICS MAGAZINE107
Agency—James Thomas Chirurg Co., Inc.

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Agency—J. M. Mathes, Inc.

THE FAFNIR BEARING CO.101
Agency—Noyes & Co.

FARRELL LINES, INC.120
Agency—J. Walter Thompson Co.

FAWCETT PUBLICATIONS, INC.151
Agency—Brown & Butcher, Inc.

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Agency—Johnson, Read & Co., Inc.

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Agency—Waynesboro Adv.

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Agency—The Buchen Co.

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CORP.82
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MOTORS DIV.)57
Agency—Campbell-Ewald Co.

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Agency—McIdrum & Fawcett, Inc.

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(CHEMICAL DIV.)2nd Cover
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GREAT NORTHERN RAILWAY11
Agency—John W. Forney, Inc.

GRUMMAN AIRCRAFT ENGINEERING
CORP.44-45
Agency—Fuller & Smith & Ross, Inc.

GULF OIL CORP.78-79
Agency—Ketchum, MacLeod & Grove, Inc.

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Agency—Gray & Rogers

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Agency—Gray & Rogers

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Consumer Credit: Trouble in the Making

Although the Federal Reserve is pursuing a restrictive money policy, one group of borrowers has experienced no trouble in getting all the credit that it can use. In October alone, the latest month for which figures are available, consumers increased their debt by over \$600-million. And the prospects are that even if the Fed tightens credit still further, consumers will be increasing their indebtedness all during 1960 (page 58).

In theory, general and indirect controls over credit have an equal impact on all borrowers. But in practice the Fed's general controls have specific discriminatory effects. Homebuilders, and new and small businesses, feel the pinch very quickly. Consumers, to whom rates are not the controlling factor, are not squeezed at all.

We are seeing this pattern emerge right now. The Fed is making a deliberate effort to curb credit expansion, which means that there is just so much pie to go around. But with consumers able to satisfy their appetites to the full, it means that they can take a much bigger share of what is available.

That is just what consumers are doing, aided and abetted by a host of new plans aimed to stimulate on-the-cuff buying. The nation's banks, which often appear worried about the threat of inflation, seem to be completely oblivious to the potential inflationary impact of a consumer spending spree.

The Fed knows that unlimited consumer spending can be a real threat to economic stability. Its officials, from Fed Chmn. William McC. Martin on down, have pointed out that 1955's bulge in consumer credit was a major factor in the 1957-58 downturn. It was a case of too much borrowing from the future, which gave the economy a temporary spurt, but was followed by a real letdown.

Despite this experience, and the knowledge that its general and indirect controls over credit have no influence over consumers, the Fed is against the use of specific controls. It considers that control over consumer credit would touch off a political battle which it does not want to engage in at a time when it is already facing widespread criticism.

The Fed should reconsider its hands-off attitude. It has demonstrated courage in following a restrictive policy that has made credit more expensive and harder to get for most borrowers. And the specific control it exercises over stock market credit shows that this type of weapon can be extremely effective.

There is no doubt that an increase in consumer credit will help spark economic expansion. But if it is carried to excess, particularly at a time when other borrowers are being turned away, it can endanger our economic equilibrium.

The Fed's recognition that consumer credit can be a powder keg should lead it to take some steps

to keep it under control. If action is taken now, that will minimize the danger that it will have to pick up the pieces later.

Time Runs Short

The stern warning that Pres. Eisenhower issued to steel management and labor just before leaving on his world trip was no more than a precisely accurate statement of the temper of the country. Between now and Jan. 26, when the Taft-Hartley injunction expires, the steel industry and the United Steelworkers must work out some sort of settlement, or else, as the President declared, "their countrymen will see that they act responsibly."

It is hard to believe that either side in the steel dispute can fail to appreciate the importance of this simple truth. Both management and labor stand to lose and lose heavily if they cannot work out a voluntary settlement. For if collective bargaining breaks down, the Congress that convenes early in January will have no choice but to turn to harsher instrumentalities.

If they have any doubt about this, the negotiating teams might well reread one of the key passages in the President's speech: "Among our free people there is no one man, no one group, no one industry, that measures, in importance, to America."

Plain Talk

The National Assn. of Manufacturers perhaps got more than it had bargained for when it asked Thomas J. Watson, Jr., president of International Business Machines Corp., to address its convention.

The nation in general, and the NAM in particular, Watson suggested, are refusing to face reality: "We want to spend everything that is necessary for all of the programs to strengthen America. . . . We want a balanced budget . . . and we want the same or lowered taxes." These three desires, said Watson, are incompatible. One of the first sacrifices, he thought, must be a willingness to accept even higher taxes, if necessary, to keep America out front.

The choice of our American goals, Watson told the NAM, isn't up to the government, the President, or the military leaders; "It's squarely up to us—for in the end, we are the policy makers."

Whether or not one agrees completely with Watson, one must applaud his honesty and courage in laying his thoughts on the line before the NAM. Watson also deserves high marks for his common sense: It's time someone scotched the nonsensical current notion that you can get something for nothing, that the nation can accomplish more and more by doing less and less.

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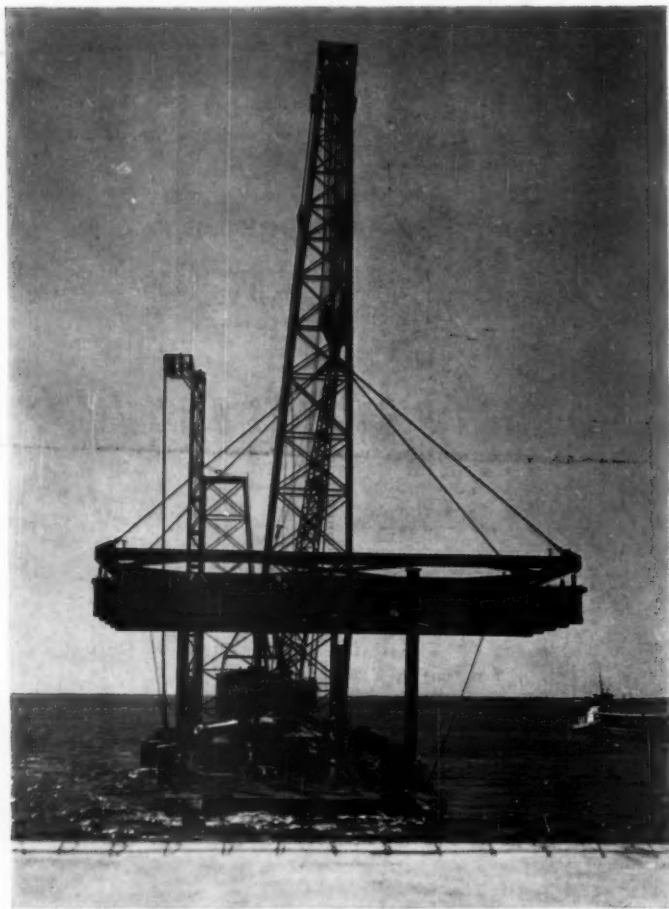
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